KION GROUP

We keep the world moving.

ANNUAL REPORT
2013

KION Group
Segments

LINDE MATERIAL HANDLING

The Linde Material Handling (LMH) segment encompasses the Linde, Fenwick and Baoli brands.

€2,881.1 million
REVENUE

€309.1 million
ADJUSTED EBIT

13,776
EMPLOYEES

STILL

The STILL and OM STILL brands are grouped in the STILL segment.

€1,717.5 million
REVENUE

€123.9 million
ADJUSTED EBIT

7,704
EMPLOYEES

FINANCIAL SERVICES (FS)

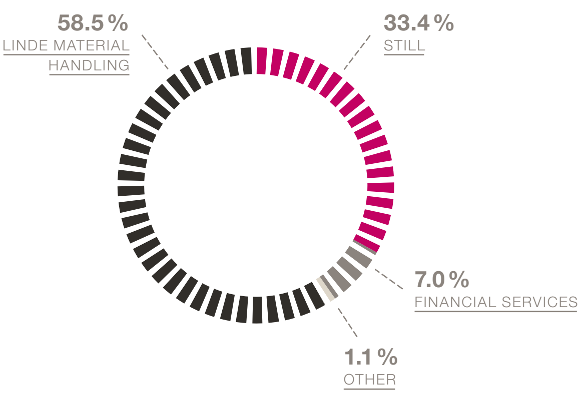
The purpose of the Financial Services (FS) segment is to act as an internal funding partner for LMH and STILL, providing finance solutions that promote sales. FS activities include the internal financing of the short-term rental fleet, the funding of long-term leasing business for the KION Group's external customers, and the risk management associated with these operations. In the major sales markets with a high volume of financing and leasing, this business is handled by legally independent FS companies.

€539.4 million
REVENUE

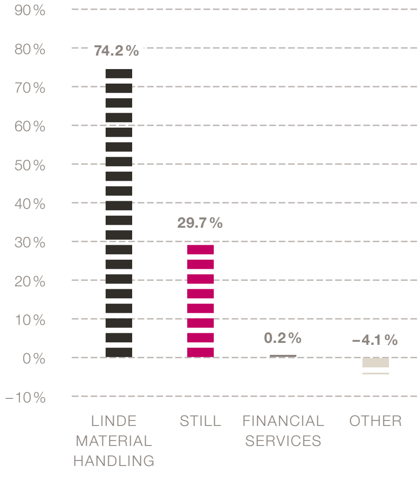
€0.7 million
ADJUSTED EBIT

118
EMPLOYEES

BREAKDOWN OF TOTAL REVENUE IN 2013



BREAKDOWN OF ADJUSTED EBIT IN 2013



[1] including effects of consolidation/reconciliation

KION Group
Company profile

Linde

Linde is a global premium brand and a technology leader that has many years' experience of hydrostatic drive technology. It has also been developing and manufacturing electric drive systems for decades and makes the resulting expertise available to external customers for use in a variety of applications.

STILL

STILL is predominantly a global premium provider of trucks with electric and diesel-electric drives. It mainly focuses on the European and Latin American markets. Its portfolio consists of forklift trucks and warehouse trucks plus associated services. STILL has also positioned itself as a leading provider of intelligent intralogistics solutions.

Baoli

The Baoli brand covers the value and economy segments in China and other emerging markets in Asia, eastern Europe, the Middle East, Africa, and Central and South America.

FENWICK

In France, Linde products are sold under the Fenwick brand. Fenwick is the biggest material-handling provider in France. The product portfolio ranges from warehouse trucks to heavy trucks and caters to all of the major application areas. Fenwick and Linde meet customers' most sophisticated requirements in terms of technology, efficiency, functionality and design.

OM STILL

In Italy, STILL products are sold under the OM STILL brand. OM STILL is a market leader in Italy and offers both trucks and fully integrated warehouse systems, including automation and fleet management solutions.

VOLTAS

Voltas is a leading provider of industrial trucks in India. It manufactures diesel trucks, electric forklift trucks and warehouse trucks for the Indian market and can draw on a network of more than 50 dealers providing sales and service.

PRODUCTS AND SERVICES

PRODUCTS	SERVICE	SYSTEMS	FINANCING
		Stock management systems	
Diesel and LP gas forklift trucks		Transport and truck control systems	
Electric forklift trucks	Repair	Automation	Purchase
Warehouse handling equipment	Maintenance	Fleet management	Leasing
Platform trucks and tractors	Full service	Racking systems	Hire purchase
Used trucks	Driver training	RFID systems	Hire

KION Group
Key figures for 2013

KION Group overview

in € million	2013	2012*	2012	2011	Change 2013/2012
Order intake	4,489.1	4,590.3	4,700.1	4,681.9	–2.2 %
Revenue	4,494.6	4,559.8	4,726.7	4,368.4	–1.4 %
Order book[1]	693.3	807.8	807.8	953.0	–14.2 %
Results of operation					
EBITDA	708.8	914.4	915.4	569.2	–22.5 %
Adjusted EBITDA[2]	721.5	700.5	747.3	665.3	3.0 %
Adjusted EBITDA margin[2]	16.1 %	15.4 %	15.8 %	15.2 %	–
EBIT	374.2	549.1	550.1	213.2	–31.9 %
Adjusted EBIT[2]	416.5	408.3	438.2	364.6	2.0 %
Adjusted EBIT margin[2]	9.3 %	9.0 %	9.3 %	8.3 %	–
Net income (loss)[3]	138.4	161.4	161.1	–92.9	–14.2 %
Financial position[1]					
Total assets	6,026.4	6,213.2	6,213.2	6,066.3	–3.0 %
Equity	1,610.0	660.7	660.3	–487.6	>100,0 %
Net financial debt	979.3	1,790.1	1,790.1	2,631.3	–45.3 %
Cash flow					
Free cash flow[4]	202.6	518.1	518.1	234.2	–60.9 %
Capital expenditure[5]	125.8	155.1	155.1	133.0	–18.9 %
Employees[6]	**22,273**	**21,215**	**21,215**	**21,862**	**5.0 %**

* Key figures for 2012 were adjusted due to the retrospective application of IAS 19R (2011);
Order intake, Revenue, adjusted EBIT and adjusted EBITDA were aligned due to the sale of the Hydraulics Business

1 Values as at balance sheet date 31/12/

2 Adjusted for KION acquisition items and one-off items

3 Net income 2012 included a net gain from the Weichai transaction in the amount of €154.8 million

4 Free cash flow is defined as Cash flow from operating activities plus Cash flow used in investing activities

5 Capital expenditure including capitalised R&D costs, excluding leased and rental assets

6 Number of employees in full-time equivalents as at balance sheet date 31/12/

All amounts in this annual report are disclosed in millions of euros (€ million) unless stated otherwise. The addition of the totals presented may result in rounding differences of +/– €0.1 million. The percentages shown are calculated on the basis of the respective amounts, rounded to the nearest thousand euros.

ANNUAL REPORT
2013

We keep the world moving.

The KION Group has a global presence with products, services and solutions provided by its six brand companies. The KION Group is the European market leader and the world's second largest manufacturer of forklift trucks and warehouse technology, and it is one of the leading international suppliers in the sector in China.

Linde and STILL serve the premium segment worldwide, while Baoli focuses on the value and economy segments. Fenwick is the material-handling market leader in France, OM STILL is a market leader in Italy and Voltas is one of the two market leaders in India.

But these strong foundations were not the only thing that enabled the KION Group to generate revenue of around €4.5 billion in 2013. The key factor was our workforce of more than 22,000 people, who go the extra mile for our customers every day.

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What drives us every day – worldwide

Anyone who keeps the world moving – as we do in the KION Group – comes into contact with the lives of millions of people each and every day. Whether it's filling the shelves in supermarkets, sending a parcel from an online retailer on its way, or getting a part to the assembly line 'just-in-time': forklift trucks and warehouse technology set the pace of the global economy.

Behind all of these activities are the employees of the KION Group, who work each day on the products and services that play such a decisive role in ensuring the efficient flow of goods and trade around the world. Highly motivated, highly qualified and always focused on the needs of the customer.

JAN KOEPP

Post Merger Integration

Opportunities.

WIESBADEN, GERMANY

VINCENT HALMA

Marketing

Team spirit.

SUMMERVILLE, USA

CRISTINE SAUTER

Human Resources

Perspectives.

INDAIATUBA/SÃO PAULO, BRAZIL

HEAD OFFICE

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Innovation.

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Assembly

Quality.

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Product Development

Potential.

PUNE, INDIA

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Perspectives.

CRISTINE SAUTER

Human Resources

A rapidly growing market. Increasingly complex logistics demands. In emerging markets, forklift trucks and warehouse technology are replacing muscle power and hand trucks to an ever greater degree. And no one knows this better than Cristine Sauter.

INDAIATUBA/SÃO PAULO

Brazil

Attractive market with growth profile above GDP.

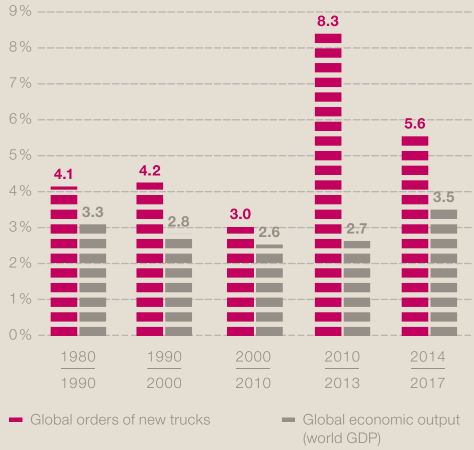
The KION Group operates in an attractive market that is growing faster than global economic output.

The worldwide market for industrial trucks grew at roughly 1.4 times the rate of the global economy between 1980 and 2013. Industry experts reckon that this pace is set to accelerate slightly over the period up to 2017.

This scenario is being driven by three global mega-trends:

- the industrialisation of the emerging markets,
- the advancing globalisation of world trade and, as a consequence, the increasing transportation of goods around the world,
- the growing fragmentation of supply chains and value chains: just-in-time logistics and purchases from online retailers create demand for the KION Group's products and services.

Global unit sales of new trucks and global economic output[1]



1 Average annual growth rates for new truck sales and GDP between 1980 and 2013;
Source: WITS/FEM (new trucks 1980–2013); McKinsey market survey (forecast for new trucks 2014E–2017E); IMF 2013 (global GDP)

01 Whether bananas or concrete slabs – virtually all goods are transported by forklift trucks at some point

02 KION's plant in Indaiatuba, where Linde and STILL trucks are produced

03 Good atmosphere: always ready to listen to KION staff

01

The mountains of exotic fruit and vegetables are stunning; the displays extend as far as the eye can see in the gigantic market halls in the heart of the booming Brazilian city of São Paulo. Workers still load heavy crates of pineapples, melons and bananas onto traditional carrinhos – slender, makeshift wooden barrows – and manoeuvre them manually through the narrow aisles between market traders and piles of boxes. Cristine Sauter watches the hustle and bustle with great interest. “We could sell loads of forklift trucks here,” says the 37-year-old HR manager of KION South America. “The potential for us here is enormous.”

Everywhere is booming in this city of over eleven million inhabitants. Newly renovated buildings peek out between the high-rises, some extremely run-down, while residential and office complexes tower into the sky. Despite the heat, suits are the order of the day in broad Avenida Paulista, the Wall Street of São Paulo.

02

Recently, demand for high-quality Linde and STILL products has risen sharply, with the KION Group's unit sales in Brazil reaching a record high in 2013. It was only a question of time before the plant in Rio de Janeiro reached full capacity. Cristine Sauter belonged to a small group of KION staff members who organised the relocation and fresh start at a brand-new factory near São Paulo.

She had the expertise required, because Cristine is a real Paulista – born and bred in the city. Her grandparents migrated there from Hamburg years ago, but the 37-year old speaks perfect German, as well as Portuguese, English and Spanish. She could navigate the chaotic traffic on the congested multi-lane streets of São Paulo in her sleep.

Looking for staff by loudspeaker

The plant is in Indaiatuba, an hour's drive from the city. “When we started in 2012, it was a greenfield site. There were five of us, including the CEO Frank Bender, and our office started out in a former farmhouse,” she says. With a recently opened freight terminal, Indaiatuba offered better infrastructure and greater security than Rio.

03

A estratégia de crescimento da Kion é clara. Somos um time que faz acontecer - isto é o que me motiva!

»The KION Group has a clearly defined growth strategy, and we all work as a team to implement it – that's what motivates me!«

Cristine Sauter
Human Resources

When the plant was up and the machinery installed, Cristina had to recruit a qualified workforce of 120 within three months. The question was how to do this in a booming region where the unemployment rate is strikingly low, at around one per cent. "One thing we did was to send cars with loudspeakers out into the streets to spread the message that we were offering attractive jobs," reports Cristina. This actually helped, as German employers are popular in Brazil, not least because they pay wages on time. The HR manager selected all the new employees personally. "In Brazil, direct contact is very important."

It just had to be Brazil

The new plant, which produces counterbalance trucks and warehouse technology, was officially opened in March 2013. The workforce rose to 200 within a few months – creating plenty of work for Cristine Sauter. She uses two mobile phones to manage her job, juggling it with her private life, which involves four small children, a Labrador puppy and a new house-build. In her spare time, she is also studying for an MBA.

For Cristine Sauter, it had to be Brazil. As a young woman she lived in Saarbrücken for a few years where she studied business administration, but afterwards she wanted to go back home. "At that time, things were too slow for me in Germany." And why did she join the KION Group? "Here I'm free to organise things myself, which is unusual in Brazilian companies. And setting up a new plant was amazing, it was like a start-up."

She cannot get away from her German roots, nor does she want to. Her grandfather taught her the importance of a good education. "He always said that nobody can take that away from you," she recalls. Cristina passes this philosophy on to her staff as well as her children. She works closely with the IFPA German technical college in São Paulo where young employees study for qualifications in areas such as freight forwarding and industrial management under the dual vocational training system. They get their practical experience at the plant in Indaiatuba. This is a new concept for Brazil – and it gives the KION Group a distinct competitive edge.

Quality.

LUKÁŠ BARTÍK

Assembly

Being globally focused yet firmly established in its home market is part of the DNA of the KION Group. Lukáš Bartík and others like him have all the qualities you'd expect of a good mechanic: an eye for precision and a passion for technology and commercially outstanding products. We are the market leaders in Europe thanks to employees such as Lukáš.

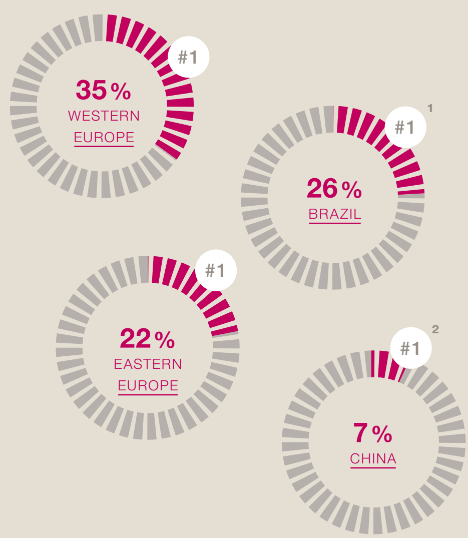
A global leader – strong home base …

Measured in terms of new trucks sold, the KION Group is currently number one in the European market and number two in the market worldwide. And with a presence in more than 100 countries, the company is the world's biggest specialist provider of materials handling trucks and associated services.

Our strong position in western Europe, where we have a market share of 35 per cent (2013), is the basis for the global expansion of the KION Group. The foundation of our business is stable in this region because of replacement purchases and a strong service business.

After plunging into a deep crisis, Europe's market for industrial trucks is now recovering. Since 2010 the KION Group has benefited from this trend with a double-digit percentage increase in revenue in Germany and the rest of Europe.

Strong in key markets – The KION Group's market shares and market positions in 2013



1 Electric forklift trucks and warehouse technology systems (in terms of unit sales), market share incl. IC trucks.
2 No. 1 among international providers in China and no. 3 measured by the overall market position in China (in terms of unit sales)

01

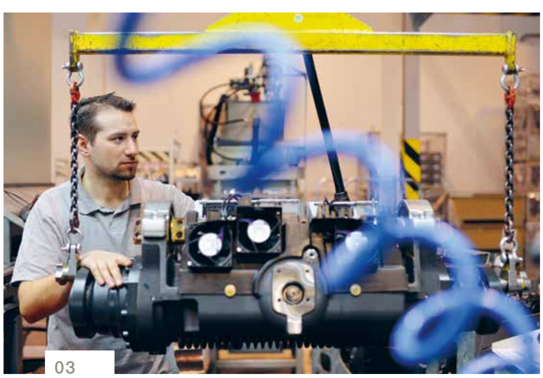
01 Quality control: an eye for detail is everything
02 Lukáš Bartík with head of production, Karl Fritsch
03 Axles from the Lipo plant: the heart of Linde and STILL trucks

02

Když je nějaký problém a odstraní se, tak je člověk spokojen, že se to podařilo.

»There's a great deal of satisfaction to be had in sorting out a problem.«

Lukáš Bartík
Assembly



03

There are certain headaches that no factory is immune to: a problem with a machine is holding up the production process. Something isn't right with an axle that's already been made. An employee calls in sick at short notice. So you can consider yourself fortunate if you've got someone like Lukáš Bartík in your ranks. The tall 31-year-old is the man for all occasions in the assembly of electric drive axles at Linde Pohony (Lipo) in Český Krumlov, in the far south of the Czech Republic.

In a 2,000 square metre space in hall M1A around three dozen men assemble electric drive axles for the KION Group's forklift trucks. Almost 28,000 electric drive axles and 18,000 hydrostatic drive axles are delivered annually to truck plants of the KION brand companies Linde and STILL in Germany, China and the USA. Electromobility, the technology of the future, has long been part of everyday life here. Hydrostatic and electric drive axles are at the heart of the Linde and STILL trucks – ensuring their exceptional precision. They provide the basis for the strong position of the KION Group in its home market of Europe and increasingly in the growth markets too.

"Quickly solving problems"

Bartík has worked on all three production lines at Lipo – the assembly fitter has been there since 2007 – and so can be used flexibly wherever his capabilities are needed. "If there's a problem, I try to solve it as quickly as possible or I find someone who can help," he says. "I try to make sure that people are able to do their work and don't have to worry about anything else." The engineering enthusiast isn't daunted by difficulties, quite the opposite in fact: "There's a great deal of satisfaction to be had in sorting out a problem."

People don't tend to associate Český Krumlov with cutting-edge industry. In its historical town centre, the narrow lanes and beautiful market square teem with tourists. They take photos of the pretty little baroque and Renaissance houses along the meandering Vltava river, gather in the traditional pubs and visit the medieval castle where they can watch the brown bears that live in the moat. Český Krumlov, known as the pearl of the Bohemian forest, became a UNESCO World Heritage site in 1992. Every year its 14,000 residents are joined by over a million tourists.

Efficiency and precision

But there's more to Český Krumlov than history and tourism. It's not even ten minutes' drive from the bustling old town, up the hill, past the hypermarkets and into Tovární – the factory road. On behalf of the KION Group, Lipo has been making electric drive axles here since 1998 and hydrostatic drive axles since 2010. Visiting Bartík at work after strolling through Krumlov's centre offers quite a contrast. In this functional building, in which everything is focused on efficiency and precision, the cosiness of the old town seems a world away.

The first plant on the current Lipo site was built before the fall of the Iron Curtain. In the mid-1980s, Jihostroj made turned parts here for the Czech arms industry. After the break-up of the Soviet Union, the site produced chassis components for Porsche, before Linde Pohony was founded in April 1997. The company currently has 273 employees.

Fascinated by technology even as a boy

This is Bartík's world – the abundance of highly technical devices and machinery, the geometrically arranged workstations, the fitters bustling around and the hum of the forklift trucks. Bartík has been fascinated by machinery and technology since he was a little boy. His father František, a car mechanic by trade, got his two sons interested in engineering at an early age. One now builds motorbikes, the other electric drive axles.

Bartík, who lives just a few miles from the factory with his wife and his husky dog, even found his way to Lipo through his father: "My father was still working here when I started," he says, smiling. "Ever since I was little we've always tinkered around together. So the fact that we were then able to work together was something really special for me."

Potential.

ANUP RAMACHANDRA KURUP

Product Development

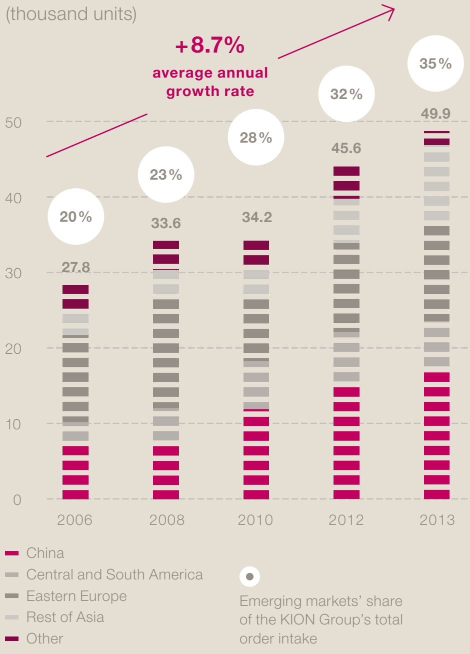
Around 530 forklift trucks were sold 2013 per million people in western Europe. In India it was just a handful – but that's about to change. Through the Voltas brand company, the KION Group has made early inroads on the subcontinent, just as it did in China. India is ready and so is Anup Ramachandra Kurup.

… and well positioned in growth markets.

The KION Group's leading position in emerging markets such as India, China, South America and eastern Europe means that it is excellently placed to fully exploit the growth opportunities available there. In 2013 the KION Group's brand companies sold 35 per cent of their new trucks in emerging markets – and this proportion is set to rise sharply.

A case in point is China, which is the world's largest individual market for the KION Group's products. The Company has been firmly established here with its offering of development, production and services for more than two decades and is the leading non-domestic supplier. The KION Group is the third-largest player in this market, where it employs some 3,200 people. China is now the Company's second-biggest market in terms of unit sales (behind only Germany).

Growing proportion of new trucks ordered from the KION Group in emerging markets
(thousand units)



01

02

हम लोग अंतर्राष्ट्रीय स्तर की मशीन
का विकास भारत मे करना चाहते है।

»Our aim is to develop and manufacture world-class trucks here in India.«

Anup Ramachandra Kurup
Product Development

Anup's masterpiece weighs a good four tonnes. It's painted yellow and grey, has a muscular appearance and is as good as impossible to knock over. The EVX 30 Max is the new forklift truck from Voltas Material Handling (VMH), the KION Group's Indian brand company. "We took just four months to develop it," says Anup Ramachandra Kurup, a senior engineer at VMH at the age of just thirty-two.

Anyone who visits Anup will quickly realise that big changes are under way here in the Indian city of Pune. The engineer and his colleagues are operating from a bare-looking office on the second floor, right above the production hall. Some 200 people here make around 2,000 forklift trucks a year. The factory is bursting at the seams. "We have big plans for VMH," says Sunil K Gupta, head of what is still only the second biggest manufacturer of forklift trucks in India. "Our goal is clear: we want to be number one in this growth market."

Anup and his colleagues work tirelessly to achieve this, often working above and beyond the call of duty. "Just before a product launch, it's not unknown for us to pull an all-nighter," says Anup. "But I don't mind, because since we've really been working flat out, everything has been much more fun."

"Delighted that the KION Group is on board"

Anup is well placed to compare the old times with the new. The man from the southern state of Kerala has been at VMH since 2008. At that time VMH was still based in the economic hub of Mumbai and was part of the vast Tata Group. No one in India's biggest industrial conglomerate was paying proper attention to the relatively small forklift truck business, however. "When it was sold to the KION Group in 2011, we were over the moon. We're now proud to be part of a globally operating group that is focused entirely on forklift trucks."

03

01 Highly committed: Anup was named “employee of the year” for his development of a truck
02 Riding high in Pune: “Since we’ve really been working flat out, everything has been much more fun.”
03 Precision work: fine-tuning successful technology

Things moved very quickly: in summer 2012 VMH moved to the industrial city of Pune, where, as a stopgap solution, it is leasing production halls. But Indians are well versed in improvisation and he and his colleagues are comfortable dealing with their temporary surroundings. His colleagues have even built themselves a small test track in the yard, complete with weights for the trucks to lift and inclines.

Synergies help to save huge amounts of time

The rate at which products are developed in Pune shows how dramatic the changes have been: “Previously we needed one year to design a new truck. We’ve since got it down to under four months.” It helps enormously that the developers are now able to draw on a whole raft of modules thanks to the takeover by the KION Group: “For the EVX 30 Max we used transmissions and axles from our sister brand Baoli in China. That saved a huge amount of time.”

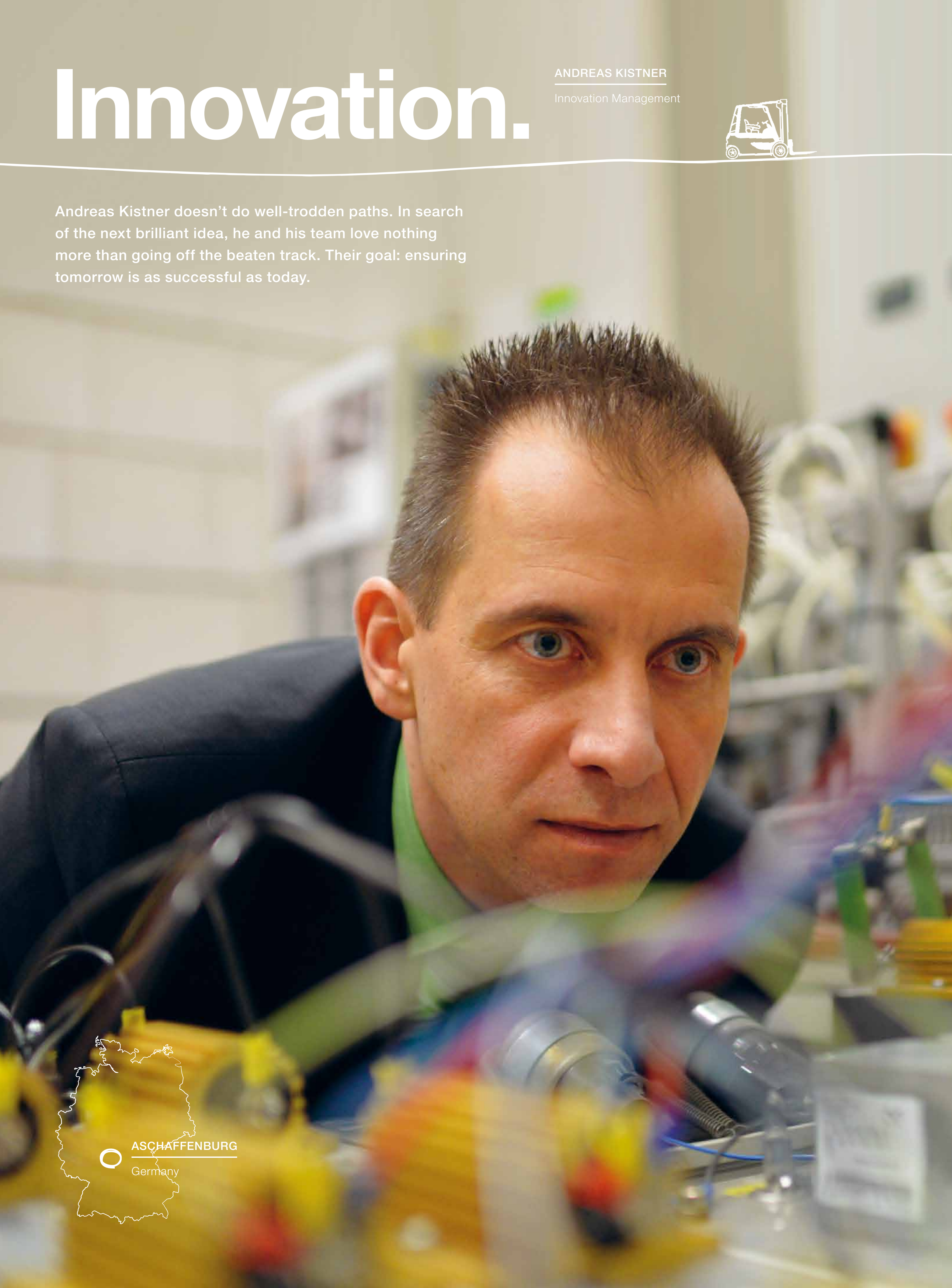
To drive forward development, Anup constantly flits between his office with its large computer and the ‘proto shop’. Down here the prototypes designed by the engineers are constructed and put through their paces. There’s a strong smell of oil, spanners clang against metal and only the humming of the trucks’ engines drowns out the thud of hammers – a paradise for the engineer. At the edge of this workshop for new developments, which is out of bounds to visitors, stands the DVX 30 KAT. Another of Anup’s favourites: “It took half a year for our team to develop that truck,” he says. “Before starting, even we didn’t believe we could get a machine like that up and running in such a short space of time. But we managed it.” With the newly developed EVX 20 Max and EVX 30 Max, he and his team was even faster. What our young engineer doesn’t say: that he was named ‘employee of the year’ for this achievement.

Innovation.

ANDREAS KISTNER

Innovation Management

Andreas Kistner doesn't do well-trodden paths. In search of the next brilliant idea, he and his team love nothing more than going off the beaten track. Their goal: ensuring tomorrow is as successful as today.



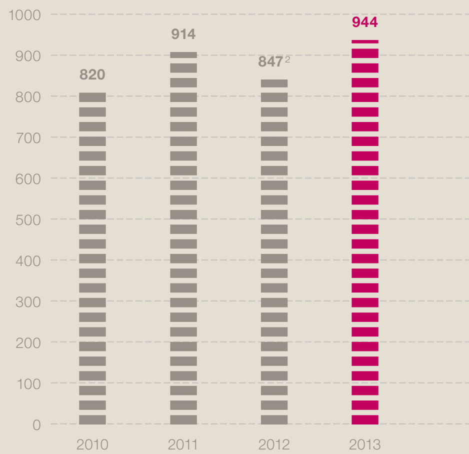
Technology leadership drives premium positioning …

The KION Group is right in the vanguard when it comes to technology and innovation. By spending in excess of €114 million on research and development in 2013, the Company is a leader in its sector.

Over 900 people work at ten research centres in Europe, Asia and the Americas to devise forward-looking solutions; more than a quarter of them are based in China so that they are close to their market. This continuous R&D investment means that clients in all markets and segments can expect to have a fully customised range of trucks and services to choose from.

In 2013 the KION Group launched more than a dozen new trucks and truck families in the market, thereby providing added impetus for 2014, and a number of new products and services are set to be introduced this year as well.

The KION Group's staff working in research and development[1]



1 Full-time employees working in research and development
2 Excluding staff working in the Hydraulics Business that was sold in 2012

01

Durch eine Kultur des systematischen Experimentierens wollen wir ausgetretene Pfade verlassen und neue Geschäfts-möglichkeiten eröffnen.

»Our intention in creating a culture of systematic experimentation is to break away from familiar territory and open up new business opportunities.«

Andreas Kistner
Innovation Management

02

01 Never alone while out running or when working as an innovation manager
02 Keeping an eye on several things at once: in production, such as here at the Linde plant in Aschaffenburg …
03 … and in services

03

Mr Kistner, as a runner you usually know the route to the finishing line before you set off – which must be quite different from your job as Head of Innovation Management?

At the end of the working day, I actually look forward to well maintained, well lit running tracks. At work things are different: I look for new ways of doing things and I like challenges. Even as a child I enjoyed trying things out when playing with Lego, and this passion has never left me. I basically grew up in the garage where I tinkered about with motorbikes. I got on a motorbike for the first time when I was eight, and I entered my first competition a year later. Now, I'm still involved in international motocross competitions as a scrutineer who carries out technical inspections of the motorcycles in use.

When you're running you're on your own. Are you also alone in your role as innovation manager?

Not at all. We work in cross-functional teams. Our areas of expertise are wide ranging and include sales, service, marketing, research & development and production. That's extremely important, because we need to keep our eye on many areas, such as megatrends, new technologies, different customer groups and potential new customers, markets, competitors, our company, resources and, consequently, the environment. We give our employees the scope to think about the future, which is where our company's success will lie. It is particularly important for our staff to be creative, passionate and daring, for them to work hard on their innovations, to think like business people and to be prepared to break completely new ground.

What makes changes into innovations?

Innovations are products, processes and business models that inspire customers, who are only prepared to spend money on genuine added value, which ultimately is what makes innovation – financially – successful. As well as improvements to products, which are often minor, it can also include new products, service optimisations, profitable payment models or new logistics management processes.

In terms of efficiency, Linde trucks are already the best – where do you plan to go next?

Resting on our laurels would not be good enough for us, and it's also risky. Our ambition is to steadily produce innovations that result in progress for Linde Material Handling and our customers. The fundamentals for this are structured procedures and the use of appropriate methods. Most innovations then arise from experimentation, intensive teamwork and numerous iterations. Our intention in creating a culture of systematic experimentation is to get off the beaten track and open up new business opportunities.

How does that work in practice?

Today, we don't know where we will be in 15 or 20 years' time, or – in other words – what the world and our customers will be like then. Obviously, many factors will change and the speed of these changes will become ever greater as the world becomes even more complex. How will logistics systems and the flow of goods change? Will our customers still buy equipment in 15 year's time, or will there be completely different payment models? It is important to analyse all these factors on an ongoing basis and to evaluate current and potential business opportunities with the upside and downside in mind – and then to take action at the right time.

ANDREAS KISTNER

- 44 years old
- Head of Innovation Management
- Linde Material Handling
- Aschaffenburg
- Joined the Group 18 years ago

Andreas Kistner is a qualified car mechanic. He joined Linde Material Handling as an engineer in 1995 and later gained an MBA by combining work with study. His master's thesis was on the strategic development of counterbalanced trucks using systematic innovation strategies. After working for the KION Group as a module manager in Hamburg, he returned to Aschaffenburg to become Head of Innovation Management at Linde.

Passion.

CHEN DA

Sales

A willingness to listen to what the customer wants, coupled with a sure sense for the optimum solution – a hallmark of the KION Group, whether in Chemnitz or China. To achieve this, Chen Da is always prepared to go the extra mile.

FUZHOU

China

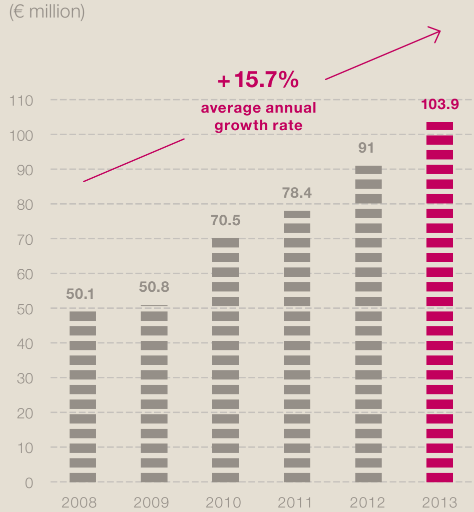
… and customer value.

Customers of the KION Group particularly benefit from the industrial trucks' good handling capacity and very low running costs throughout their lifecycle.

The cost benefits for customers mean that the KION Group can set prices at a level that enables it to achieve higher margins than its competitors. After all, personnel expenses and the cost of operating a truck over its lifecycle constitute a significant portion of the purchase price, especially in highly developed markets.

The proximity of the KION Group's brand companies to their customers also ensures a high level of availability for the trucks. Around the world, around 12,900 inhouse and external service engineers work for the KION Group. This business offers considerable potential also outside of Europe: in China, revenue from services has risen substantially in recent years.

The KION Group's service business in China[1]
(€ million)



1 The service business consists of aftersales, rentals, used trucks and other trucks.

01 Close to the business: visiting a customer's refrigerated warehouse in sub-zero temperatures
02 Technical expertise adds value
03 Sustenance: a freshly grilled snack after a long day spent in meetings with customers

Icy cold emerges from behind the raised shutter. An electric forklift truck whirs in and sets down a pallet of cardboard boxes full of eels. Large fish, loose or in boxes and deep frozen at minus 28 degrees, are piled up to the ceiling. The truck rolls back outside into the winter air of the port city of Fuzhou in southern China, where the temperature is a mild eleven degrees above zero. At Mingcheng, a firm that specialises in the cold storage of seafood, more than 100 Linde brand electric forklift trucks undergo this temperature change several times a day, which puts a severe strain on their motors and batteries. As a result, good maintenance is vital for durability, says Chen Da, a salesman for Linde in Fuzhou, the capital of Fujian Province on the south-east coast of China. Chen travels to Mingcheng at least once a week to check the condition of the trucks.

"As well as talking to the managers, it is essential to speak to the drivers and the maintenance team because they are the only ones who know the trucks," says Chen. The 32-year-old wants to identify potential problems before they turn into actual faults; that is what spurs him on every day. "I even like it when customers call me about minor things," he says and grins. "No wonder my phone is always ringing."

A skilled sales pitch combined with technical knowledge

This close contact with every customer is a hallmark of the KION Group's brand companies. Around the world, 12,900 in-house and external service staff are in direct contact with product users. Chen Da is also able to answer technical questions on the spot, because he was a field service engineer for ten years before working in sales. He can also drive large trucks himself, so his skilled sales pitch is combined with a tremendous wealth of technical knowledge.

全面了解客户的需求，
提供专业和合适的方案，
得到客户的认可和信任，
让我更自信，更有成就感。

»Understanding precisely what our customers require, presenting them with a professional and tailor-made solution and, in return, earning the respect and trust of our customers – this gives me self-confidence and the feeling that I have achieved something.«

Chen Da
Sales

03

Every month, Chen Da travels 3,000 to 4,000 kilometres by car – on congested urban ring roads, new flyovers and motorways, passing suburbs where it looks as if everything has just been turned inside out. Old residential districts and mills give way to 30-floor apartment blocks and state-of-the-art factories – Fuzhou is also part of the Chinese boom. Directly behind the densely populated coastal strip loom steep hills covered in lush vegetation. Barges and freighters chug along the Min river along which, like Mingcheng, many customers have their warehouses. The long hours on the road do not bother Chen, far from it: “I enjoy talking to customers and getting to know what they want. And supporting customers by phone alone does not work in China. You have to sit down together, have a cup of tea and create a pleasant atmosphere.”

There are tea sets on large wooden trays in every office in Fujian Province. Tea is a fixed ritual at every meeting. The first brew is poured out of the teapot over the tiny drinking bowls to clean them and it drips through holes in the tray into a basin beneath. Then the host infuses the fragrant leaves up to seven times and pours the tea. Whilst this is happening, Chen Da recommends a new forklift truck model, details prices or solves problems. Chen laughs a lot and skilfully combines everyday subjects with business.

The most important visit: delivery

If a customer is building a new warehouse, Chen visits at the planning stage and takes a close look at the specifications to enable him to suggest suitable trucks. “The first thing to do is to listen closely to what the customer needs.” The height of the doorways is crucial. If required, Linde can also help to design the warehouse. The most important visit, particularly for new customers, is when the first trucks are delivered. Chen Da is always on site to check the trucks or to train the drivers himself. He stresses that this visit is when the foundations are laid for future relationships with new customers, because “the first 30 to 100 hours that the trucks are in operation are crucial”.

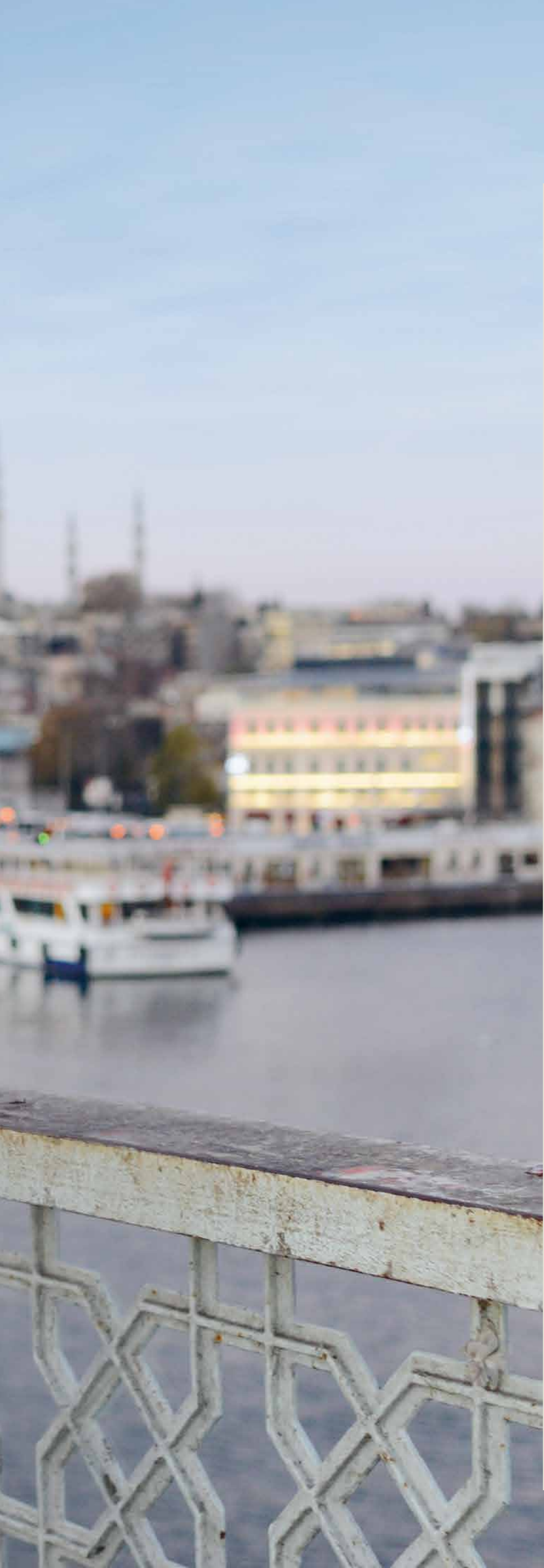
Chen considers that one of his greatest successes was winning back a customer who had left and was regarded as difficult. The customer works with metal that is bent at a high temperature – which puts a great strain on trucks. He had tried out several brands until Chen, together with members of the company’s workforce, developed a strategy to ensure that the trucks run reliably despite the harsh conditions. Ever since, Chen reports proudly, the customer has only bought Linde trucks.

Inspiration.

BIKE GÜVEN

Material Planning and Marketing

A truck that doesn't work is no good to anyone. Wherever in the world you might be. And in growth markets in particular, the service business is becoming increasingly important. In Turkey, an important trading hub, Bike Güven makes sure everything runs smoothly for her customers.



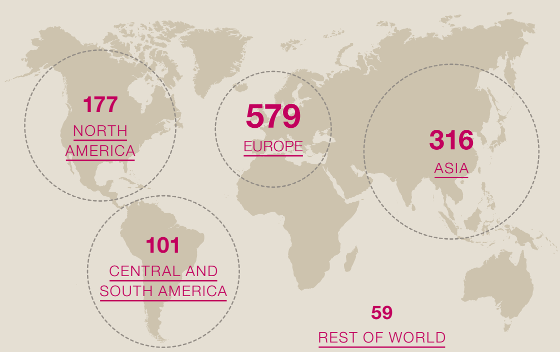
Robust integrated business model with high contribution from services.

This provides the basis for the KION Group's lasting business success. Customer services, truck rentals, used trucks and spare parts together contribute more than 40 per cent of revenue. This business is very resilient to fluctuations in the economic cycle. Moreover, it generates particularly good margins for the KION Group.

There are around 1.2 million KION trucks in use around the globe, forming a broad basis for a strong and integrated service business.

A comprehensive network of more than 1,200 sales and/or service outlets worldwide ensures that the KION Group is never far from its customers. This creates strong customer loyalty, which in turn offers more potential for growth and provides a lasting competitive advantage.

The KION Group's strong global network with more than 1,200 sales and/or service outlets



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A day when the phone doesn't ring once is a perfect day for Bike Güven because it means that everything is going well. The brand new STILL reach truck from Hamburg has got through Turkish customs, and in Kocaeli Province the engineer has finished the overnight repairs to the defective order picker at the local Ford works in time for the morning shift. "My job is a bit like conducting an orchestra – making sure that everyone comes in at the right moment," says the 30-year old Head of Material Planning and Marketing at STILL ARSER in Istanbul. Sometimes there's even time for a cup of strong Turkish coffee, although Bike Güven always has her eyes glued to her smartphone.

Impeccable customer service is the top priority. Service business now accounts for more than 40 per cent of KION Group's revenue, and it ranges from after sales, truck rental and used trucks to fleet management systems. Services are also becoming increasingly important in the emerging markets. Last year, STILL acquired a majority stake in its former exclusive dealer Arser İş Makineleri Servis ve Ticaret A.Ş. – a key strategic step for the KION Group. The sign on the office building in the Ümraniye district of Istanbul now shows the name of STILL ARSER.

Her favourite colleague of all is virtual

When it comes to service, Bike Güven is in her element; she has perfected the system at STILL ARSER. A qualified interpreter from Ankara with a blonde ponytail, she was quick to learn how to meet urgent requests. Since she joined Arser eight years ago, she has worked in new truck sales planning and marketing. From the outset, the phone scarcely stopped ringing. "The salesmen and dealers used to ring us continuously, asking questions such as how quickly can we deliver a two-tonne truck with a four-meter mast or how long will it be until a new battery arrives."

Much has improved, with new technology now making things much easier for Bike Güven and her customers. Her favourite colleague is virtual and goes by the name of e-care. This is the software program that Bike Güven played a huge role in developing and it provides dealers and customers in Turkey with real-time online updates. If a telescopic forklift has jammed, the customer sends a help request to e-care and the system notifies all the

03

01 Expertise: responding rapidly to customer requirements is crucial
02 Perfection: Bike Güven has optimised order processing at STILL ARSER
03 Always on the ball: “My job is a bit like being a conductor”

Günün neler getireceğini bilmeden uyanmak, ve karşıma çıkan sorunlara özel çözümler üretebilmek harika…

»I think it’s great getting up every morning and not knowing what challenges my customers will throw at me. I then have to find a tailor-made solution for each one of them…«

Bike Güven
Material Planning and Marketing

relevant contact people – including Bike Güven. Even at three in the morning, an engineer is sent out to deal with the repairs and the spare parts. If necessary, the department head has to arrange an urgent delivery of a suitable replacement truck. “What I like best about my job is getting up in the morning and not knowing what will happen that day,” she says.

Just living in Istanbul requires a great deal of organisational skill. On the European side, the slim minarets of the Blue Mosque point towards the sky and tourists push past the carpets, gold jewellery and leather goods in the Grand Bazaar. Bike Güven lives on the Asian side, just 20 minute’s drive from the office, but the route to work itself requires careful planning – because there is gridlock on the bridges over the Bosphorus at rush hour in this city of millions.

The importance of personal contact

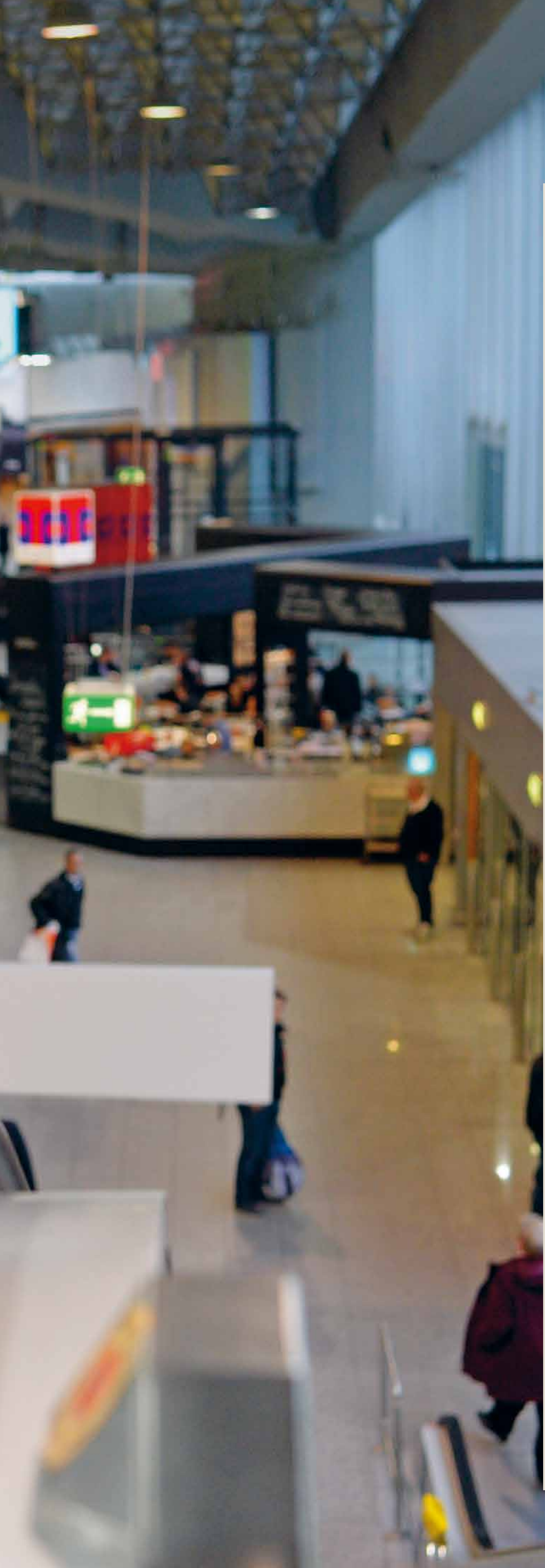
But an exclusive focus on customer needs and all the most sophisticated organisation are still not enough in the fast-growing Turkish market, which is also a major hub for trade with the Middle East. Little gets done without personal contacts. Recently, a customer in the east of the country complained that his allocated dealer never called in just for a cup of tea and a chat, he always wanted to talk about business. Bike Güven immediately took note and passed the message to the dealer. After all, she has to live up to her name; in Turkish Güven means ‘trust’. “If customers have any doubts, trust is our crucial advantage over the competition,” she says emphatically.

Opportunities.

JAN KOEPP

Post Merger Integration

The KION Group is more than the sum of its parts. Pooling the strengths of its brand companies has unleashed huge potential. For customers and investors. Around the world. Jan Koepp creates synergies that add value.

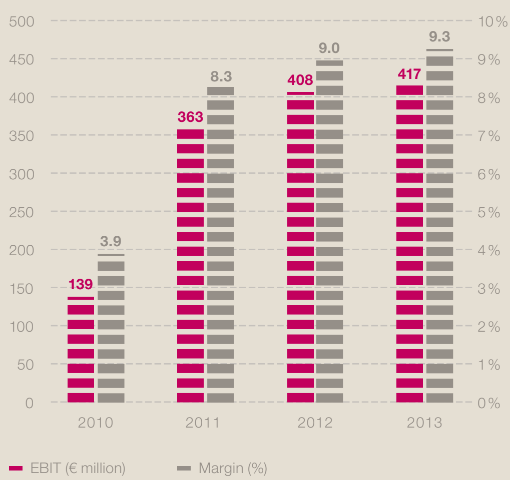


Strong profitability – well prepared for future value creation.

Constantly improving efficiency and profitability is a clear objective for the KION Group. Size and synergies – a combination that makes the KION Group stand head and shoulders above other truck manufacturers.

This involves collaborating on research and development, improving plant structures and fully exploiting the economies of scale created by a worldwide production network. Other areas of focus are the optimal use of shared, cross-brand modules and platforms and the ongoing expansion of the service business.

The KION Group's earnings before interest and tax
(EBIT / margin)



EBIT adjusted for KION acquisition items and non-recurring items; key figures for 2012 have also been adjusted to reflect the sale of the hydraulics business

Reisen in andere Kontinente bringen mich auf neue Ideen, befeuern meine Kreativität und laden meinen mentalen Akku auf …

01

»Travelling to other continents gives me new ideas, sparks my creativity and recharges my mental batteries …«

Jan Koepp
Post Merger Integration

02

01 Global: close to the markets and brands
02 Focus on China: knowledge of other cultures creates an advantage
03 Teamwork: "We combine skills with experience"

03

Mr Koepp, the brand companies with the shortest histories in the KION Group are Baoli and Voltas – both of which are in Asia. You manage their integration into the Group. Do you know how many hours you have spent on planes?
At a rough estimate, I have flown round the world about five times, that's about 200,000 kilometres, and most of the trips were to China. The remarkable insights that I gain are always worth the long flights. This gives me new ideas, sparks my creativity and recharges my mental batteries. When I land on another continent, I often don't arrange to be picked up from the airport, I take public transport. I also like to be adventurous with food, which is probably due to the fact that I have lived abroad for 17 of the past 20 years, most of that time in Brazil.

The multi-brand strategy is a key element of the KION Group's growth policy. What makes it so effective?
We want the right product range that covers all market segments. For this reason, we draw on local experts in every market segment and focus on the requirements of each market – in terms of meeting all needs, 'one size fits all' just doesn't work. We share our knowledge of technology and products and we establish tried-and-tested, standard processes, which makes the brand companies more competitive. The idea is to merge downstream business units and processes and then to make them available to the brand companies. Together, these steps all create value and help to ensure that the KION Group continues to grow profitably and is not just a loose affiliation of brands.

How do you tackle the integration of a new brand company?
You have to understand what is needed locally. First, we summarise the expectations brought by the new company and the KION Group. Companies that have recently joined the Group want to grow faster than before. The KION Group would like to occupy a stronger position in a new company's market. And KION customers have specific expectations in terms of products, their reliability and the service we offer. We then merge the KION Group's strengths and experience with those of our colleagues in the new brand company. We can only become more successful in the market by working together.

How do you ensure that the Group's new brand companies are able to meet these requirements?
It cannot be done by simply transferring funds for capital expenditure. Our job only starts in earnest when the agreements have been signed. We assess our partners' internal processes, strategy implementation and conduct. We establish which aspects we want to work on so that we can meet all of our targets and we supply the necessary technologies and methods. The KION Group has a duty to provide each new brand company with what it needs.

The KION Group already had two global brands, Linde and STILL, Baoli is the third. What role does KION's Chinese brand company play?
Baoli covers the value and economy market range and it has a special role in the multi-brand strategy. The Chinese brand company provides the technical foundation for products for the Indian and South American markets. Baoli receives marketing support from the regional KION companies such as KION South America and KION South Asia. Our Indian brand company Voltas in turn benefits from Baoli technology.

JAN KOEPP

– 45 years old
– Head of Post Merger Integration
– KION Group
– Wiesbaden
– Joined the Group twelve years ago

Jan Koepp worked for the Group back in the times of Linde AG. He started in 2002 at Linde Material Handling in Brazil, and initially developed the brand company's finance activities. He then managed the merger of Linde and STILL in Brazil (now KION South America) and the construction of the new plant in Indaiatuba, São Paulo. The new plant produces warehouse technology and IC trucks for Linde and STILL. As Head of Post Merger Integration, Jan Koepp now ensures that newly acquired brand companies such as Voltas and Baoli, are well integrated into the KION Group.

Team spirit.

VINCENT HALMA

Marketing

The KION Group has its eye firmly on the USA as a high-opportunity market. To make even greater inroads there, we need to do what the Americans do best: show determination and team spirit. Vincent Halma can count on the right products with Linde and STILL – and he can count on the right team as well.

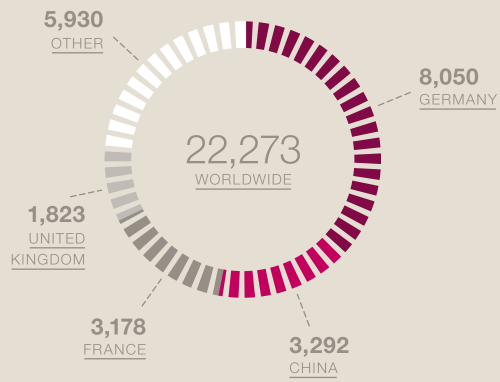
Highly motivated and qualified employees with proven track record.

International, highly qualified and highly motivated: the KION Group's more than 22,000 employees, who demonstrate dedication and creativity day in, day out, are both the heart and the backbone of the company.

Their hard work underpins the operational success of the company and ensures a strong financial performance. This was one of the key elements in the successful stock market flotation of the KION Group in June 2013.

The company's growth strategy is reflected in the structure of the workforce. In 2013, the Group recruited extra staff for its service and sales operations and notably invested in new employees in the emerging markets and growth regions. The KION Group is increasingly hiring local management in all its markets in order to utilise their strong market knowledge and expertise.

KION Group employees by country
(Full-time equivalents as at 31 Dec 2013)

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01 KION plant in Summerville: capacity for 20,000 trucks
02 "Plenty of knowledge there to be successful"
03 A strong team: achieving the objectives of the KION Group by pulling together as a team

When Vincent Halma talks about his new job location, you can't help but notice his sense of enthusiasm. "We have tremendous opportunities that haven't been taken advantage of," says the Vice President Marketing of KION North America. "We have so much collective knowledge within the KION Group that can make us successful. The point now is to use it." Halma is backed by the capable team of the global KION network.

The goals are clear: the market share in North America, the second largest individual market in the world for KION Group products, will grow substantially in the coming years. Every morning, when Halma gets out of his car in front of the KION plant in Summerville, South Carolina, he is reminded of the fact that North America is more than the USA alone. When he looks up, he sees the Canadian and Mexican flags fluttering alongside the Stars and Stripes.

US economy is bouncing back

After the heavy years of the crisis, the US economy has gained traction again and is overtaking Europe in terms of growth. Plus, after the service sector has been on the rise for years, the largest national economy in the world wants to regain a prominent position in the manufacturing sector. The buzzword is reindustrializiation. "Made in USA" is poised to become a globally recognized standard for quality again. Volkswagen and BMW are establishing US production facilities and Apple is starting to produce products in its home country once more. Motorola is looking to attract new customers for its high-end cell phone with the slogan "Made in USA." And all of them need forklifts. Approximately 185.000 industrial trucks were sold in the US in 2013, an increase of 12 per cent compared to the previous year.

The key markets include the old "Rust Belt," the industrial belt stretching across the Midwest and as far south as Texas. What is needed are new products. "In Europe, for instance, lorrys (tractor trailers) are loaded from the side, while in the USA forklifts enter the trailer from the back. The US market requires different equipment," explains Vincent Halma. "In addition, the USA has totally different philosophies when it comes to warehouse optimization which requires a completely different product design and approach to the market."

The vehicles tailored for the US market under the Linde and STILL brands are backed by KION technology from Europe and Asia. In terms of production capacity, on the other hand, Summerville is in the lead, with the ability to produce as many as 20,000 units a year. A central element of the strategy is to provide a comprehensive range of products and to leverage the dense retail network that the KION Group has access to in the USA.


03

Within KION we have all ingredients to be successful in the North American Market. This project is one of the biggest and most exciting ones in our history and I am proud to be a part of it.

Vincent Halma
Marketing

Returning to an old passion

Vincent Halma is looking forward to the tasks ahead: helping to market newly developed products for the American market, expanding sales structures, and creating service offerings. The 43-year-old father of two sons has the right skills for the job. For nine years he was Managing Director of the STILL brand in the Netherlands and was later responsible for Western Europe.

For the native Dutchman, the move to South Carolina meant returning to an old passion: the USA. After studying business management in Leeuwarden, Holland, Halma wanted to get international experience with an internship and went to Columbus, Ohio, to do his MBA. He stayed for seven years gaining experience in product development and sales. “The very first job I had in my life was in the United States,” he says with pride. So he didn’t have to think twice when he got the offer to return to his favorite country in 2014.

The US South: a popular location for businesses

And it’s easy to feel at home in the town where Halma lives, 20 minutes from Summerville. Charleston’s historic buildings and cobblestone streets from the period before the Civil War give the town a historic flair. The streets are lined with palm trees, a promenade on the Atlantic invites for a stroll, and the spicy Southern food with its oysters and seafood is famous around the world.

What’s more, Charleston’s harbor offers a perfect logistics infrastructure. Others have discovered the area’s advantages as well. Charleston has attracted companies like Boeing and Bosch. “KION’s North American project is its most ambitious to date,” says Halma. “I’m very proud to be able to contribute.”

To our shareholders

»2013 was a financially solid year. 9.3 per cent EBIT margin represents a new record.«

GORDON RISKE
CHIEF EXECUTIVE OFFICER

Thu, 20 Mar 2014 8:08am

From: Gordon Riske
To: KION Group Shareholders
CC: Thomas Toepfer, Theodor Maurer, Bert-Jan Knoef, CP Quek, Supervisory Board, Customers, Employees, Business Partners
Subject: Annual Report 2013

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

On 28 June 2013 we were able to celebrate the fact that the shares of KION GROUP AG had been successfully listed on the Frankfurt Stock Exchange. Both for our staff and for me personally this day was one of the most moving professional events of the past financial year. We are especially proud that this initial public offering (IPO) was so successful because it took place in such challenging market conditions. The foundations for this high-profile launch in the capital market were laid by our customers, shareholders and partners and, in particular, by the commitment and dedication of our employees around the world. On behalf of the KION Group Executive Board I would like to take this opportunity to thank our highly motivated and expert workforce for this achievement.

Today we are publishing our first annual report as a publicly traded company. We are reporting on a year whose financial results were able to build impressively on the previous years. At the same time we have taken the key operational and financial measures needed to ensure that we can continue on our global growth trajectory over the coming years while further enhancing our profitability on a sustainable basis.

Funding strengthened by the IPO

As far as the implementation of its growth strategy is concerned, the KION Group is now in an even stronger financial position than it was a year ago. The proceeds received from the capital increases carried out as part of the IPO have provided us with a very sound and extensive capital base.

Our equity ratio at the end of 2013 came to 26.7 per cent. Our net debt at the reporting date was only around 1.4 times adjusted EBITDA for the previous twelve months. We therefore have a very solid and secure long-term funding base.

The prospects for our business and, consequently, for our shareholders and employees are excellent, with independent research predicting that the worldwide market for industrial trucks is once again set to grow at roughly 1.5 times the rate of the global economy over the next decade. We intend to benefit disproportionately from this growth.

Business stabilised at a high level

Global demand for industrial trucks continued to grow in 2013. The total number of units sold in the material handling market exceeded 1 million for the first time, which represented year-on-year growth of 7 per cent. In addition to the United States there was also strong growth in the emerging markets of China, eastern Europe and Brazil, which are particularly important to the KION Group.

»35 per cent of our new trucks go to customers in emerging markets.«

In this market environment we continued to develop our business at the high level of the outstanding previous year. Despite being impaired by the adverse market conditions in western Europe – which remains the KION Group's core market – sales of new KION trucks amounted to 142,800 units, in line with the impressive figure achieved in 2012 (141,700 units). The total value of the KION Group's order intake came to a substantial €4.489 billion. We generated revenue of €4.495 billion – which was in line with the excellent prior-year figure – despite adverse exchange-rate effects. We further increased our adjusted earnings before interest and tax (EBIT) to €416.5 million. Our EBIT margin reached 9.3 per cent, which was a new record for the KION Group.

We are deliberately exploiting the economies of scale that we possess compared with our competitors. At the same time we are constantly improving the efficiency of our European production network. In October, for example, we closed our heavy truck plant in Merthyr Tydfil and transferred the bulk of this production to a contract manufacturing facility.

Presence in emerging markets expanded
The continuing success of our strategy of expanding our presence in the world's emerging markets has strengthened our resolve to redouble our efforts in this direction. 35 per cent of the orders that we received for new trucks came from emerging markets, which was more than ever before. And in December our Linde brand company celebrated its 20th anniversary in China when it handed over the 100,000th Linde truck manufactured in China.

The material handling market in China presents excellent prospects. Whereas 530 new trucks were sold in western Europe for every 1 million inhabitants in 2013, only 180 were sold in China, which is now the KION Group's second-largest market in terms of unit sales (behind only Germany). And truck sales in China continue to grow apace. The sales and service organisation that we have established throughout this country enables us to fully exploit this enormous potential, and we have therefore been able to successfully introduce our business model – which includes a high proportion of service business – in China as well.

The strategic partnership with Weichai Power will provide the KION Group with additional stimulus for its operations in China and the rest of Asia. This unique alliance offers both parties the opportunity to enter new business lines together and to reap synergies for their mutual benefit. It also takes us to the next stage in the long-term expansion of our business in Asia.

But this was not the only place where we made considerable headway last year. We expanded production at our Indian brand company Voltas, whose plant commenced operations in 2012. We officially opened a completely new KION plant at Indaiatuba, São Paulo, in Brazil last year. In addition to warehouse trucks, KION South America has also been manufacturing IC trucks at this site since then under the Linde and STILL brands for the South American market.

»One in four of our developers works in China on new products and platforms.«

Product portfolios intelligently combined

In 2013 we also constantly broadened the product ranges offered by our brand companies, introducing more than a dozen new trucks and truck families. Our multi-brand strategy and global reach provide us with a key competitive edge in this respect. We modify successful products in line with specific requirements in other regions where fresh demand for similar trucks arises. In these emerging markets our brand companies Baoli and Voltas are the main providers that localise the manufacture of established trucks, modify them for specific brands and then launch them in the market. Our development centre in China plays an important role in this aspect of our business. Roughly a quarter of our total global development staff work there on new products and platforms designed to meet the requirements of the emerging markets in particular.

In 2013 we spent more than €114 million, or 2.5 per cent of our revenue, in research and development, which makes us an industry leader in this respect. The outstanding competitive position occupied by our Linde and STILL brands in our European home market is largely based on our technology leadership.

Last year, Linde Material Handling presented the BMW factory in Leipzig with a fleet of industrial trucks fitted with fuel-cell hybrid drives for production of the BMW i. Having been extensively refined, new engines make Linde's EVO models the lowest-emission series-production diesel trucks in the market. The pollutants that they produce are on average 69 per cent below the maximum permitted statutory limits, which means that these trucks can even be used inside buildings.

The STILL RX 70 Hybrid was named International Forklift Truck of the Year in 2013 after having already won the Federal Ecodesign Award in the previous year. The first-ever hybrid truck manufactured in series production, which is equipped with a diesel-electric drive, obtains the energy for its drive system from both the diesel tank and from electric energy storage units known as 'ultracaps'. STILL extended its RX 70 family range in 2013 by introducing new IC trucks with load capacities of between four and eight tonnes. Their optimum handling capacity is based on a unique combination of power, precision, ergonomics, compactness and safety.

New products planned for the US market

However, we are not only focusing on our home market and on emerging markets. We are also concentrating on other markets where we do not yet have a sufficiently large presence. A case in point is the United States, where we see considerable growth potential for the KION Group's brands. After all, this is the world's second-biggest single market after China. In the US we have a factory with substantial unused capacity as well as an extensive nationwide dealer network. We can build on these over the long term by launching new US-specific products that are currently being developed.

»The high-margin service business accounts for more than 40 per cent of the KION Group's revenue.«

Sales and service expanded by the addition of new sites

We are constantly expanding the sales and service network used by KION Group's brand companies in order to strengthen our brands in the various regions around the world. In mid-2013 our brand company STILL acquired a majority stake in Turkish dealer Arser in order to increase its footprint in this important country. Linde opened new branches in Thailand and Malaysia to enable it to serve these markets even more effectively. As the size of its fleets in markets outside western Europe grows, the proportion of revenue accounted for by the service business increases accordingly. Stable and profitable, the service business contributes more than 40 per cent of the KION Group's revenue. The services provided for our installed fleet of some 1.2 million trucks worldwide substantially reduce our reliance on short-term economic cycles and, at the same time, offer attractive margins.

Experienced workforce is the key driver of our success

Our investment in 2013 went beyond sales and service structures and new products. Our workforce grew as well, as more than 1,000 highly qualified people joined our organisation worldwide. At the same time we continued to invest in the best-possible training and development opportunities for these employees. We want to remain a reliable partner for our customers and work with them to put new ideas into practice. By offering highly efficient and economical trucks, we help to ensure that our customers are successful.

Some of our 22,000 employees who work each and every day for our customers are featured in the front part of this annual report. You may even meet one of them in person at some point. This is quite possible if you consider that our products and staff travel around the world in the service of our customers: We keep the world moving. I therefore hope that you have an interesting journey of discovery through the world of the KION Group.

With best wishes,

Gordon Riske
Vorsitzender des Vorstands | Chief Executive Officer

KION GROUP AG
Abraham-Lincoln-Strasse 21 | 65189 Wiesbaden (Germany)
Sitz der Gesellschaft | Registered Office: Wiesbaden (Germany)
Registergericht | Court of Registration: Wiesbaden (Germany), HRB 27060

Vorsitzender des Aufsichtsrats | Chairman of the Supervisory Board: Dr. John Feldmann
Vorstand | Executive Board: Gordon Riske (Vorsitzender/CEO), Bert-Jan Knoef, Theodor Maurer, Ching Pong Quek, Dr. Thomas Toepfer

Executive Board

01
THEODOR MAURER

- Member of the Executive Board of KION GROUP AG
- CEO of Linde Material Handling

born in 1959 in Konstanz

02
DR THOMAS TOEPFER

- Chief Financial Officer (CFO) and Labour Relations Director of KION GROUP AG

born in 1972 in Hamburg

03
GORDON RISKE

- Chief Executive Officer (CEO) of KION GROUP AG

born in 1957 in Detroit (USA)

04
CHING PONG QUEK

- Member of the Executive Board of KION GROUP AG
- Chief Asia Pacific Officer

born in 1967 in Batu Pahat/Johor (Malaysia)

05
BERT-JAN KNOEF

- Member of the Executive Board of KION GROUP AG
- CEO of STILL

born in 1960 in Hengelo (Netherlands)

Report of the Supervisory Board of KION GROUP AG

DR JOHN FELDMANN

Chairman

Dear shareholders,

The main event of 2013 for KION GROUP AG was its successful initial public offering (IPO) on 28 June 2013. The business built strongly on the excellent results achieved last year and continued to perform at the same high level.

The tasks and responsibilities imposed on the Supervisory Board by the law, the Company's articles of incorporation and the German Corporate Governance Code were fulfilled with dedication and great diligence. Because of KION GROUP AG's IPO last year, there were many important decisions, transactions requiring approval and other matters to be discussed and resolved upon.

Any references to KION GROUP AG and its Executive Board in the following section also apply to KION Holding 1 GmbH and its Executive Board, which were in existence prior to the change in legal form to a German public limited company (Aktiengesellschaft).

Monitoring and advisory role in dialogue with the Executive Board

The Supervisory Board advised the Executive Board on all significant matters relating to managing the Company and monitored the Executive Board's running of the Company. The Supervisory Board was fully involved in all major decisions affecting the Company from an early stage. There were particularly intensive discussions with the Executive Board on the subjects of funding, the IPO and corporate strategy. The Supervisory Board satisfied itself at all times that the Company was being managed lawfully and diligently.

At meetings of the full Supervisory Board, the performance of the business and decisions and transactions that were important for the Company were deliberated on and discussed extensively on the basis of the information provided to the Supervisory Board by the Executive Board. The Executive Board always notified the Supervisory Board of every significant aspect of these transactions promptly and in detail, providing both written and oral reports. As expected, the main issues covered in 2013 included the issues surrounding the Company's planned IPO, as well as the Company's ongoing business performance and financial position, planning of capital expenditure, the employment situation, risk management and the compliance programme. Other fundamental matters were corporate strategy and corporate planning, in particular in view of the new opportunities presented by the arrival of a new major shareholder, Weichai Power Co. Ltd.

The Executive Board gave the Supervisory Board sufficient notice of transactions that, according to the law, the Company's articles of incorporation or the rules of procedure for the Executive Board of KION GROUP AG, require the Supervisory Board's consent and presented them in good time for resolutions to be adopted. The Supervisory Board examined closely the resolutions proposed by the Executive Board and deliberated on them before adopting them. In urgent cases, written resolutions were also adopted.

The Executive Board informed the Supervisory Board about key financial data at regular intervals. Where there was a discrepancy between the actual figures and the business planning, the Executive Board always provided the Supervisory Board with a detailed oral and written explanation of what it considered the main reasons for the discrepancy. This enabled the Executive Board and Supervisory Board to discuss the reasons in detail and, if necessary, to take effective countermeasures.

In the periods between meetings of the Supervisory Board and between those of its committees, the chairman of the Supervisory Board, who is also chairman of the Executive Committee created following the change of legal form, remained in close contact at all times with the Chief Executive Officer. This ensured that the Supervisory Board was always kept up to date on the Company's performance and any significant transactions.

Main focus areas discussed by the Supervisory Board

In the first half of the year under review, the work of the Supervisory Board focused on the wide-ranging preparations for the Company's IPO. Its deliberations concentrated on general business conditions, economic conditions and financial parameters as well as corporate governance matters and, in particular, the areas of responsibility assigned to the Supervisory Board – such as Executive Board remuneration.

In 2013, the Supervisory Board and its committees dealt with these issues and made the necessary decisions at a total of 18 meetings (eight full Supervisory Board meetings and ten committee meetings). Some of the meetings were held in the form of conference calls. There were also several informal conference calls for the purpose of providing the members of the Supervisory Board or the relevant committees with advance information.

KION 2020 strategy

The Executive Board's plans for the further development of the Company's strategy, which are aggregated in the KION 2020 strategy, were a key area covered by the Supervisory Board's deliberations in 2013. The Executive Board provided the Supervisory Board and its Executive Committee with an initial introduction to the strategy on 26 September 2013. A workshop with the Executive Committee devoted exclusively to this subject was then held on 14 October 2013, followed by an extraordinary meeting of the Supervisory Board on 17 October 2013 and a status report for the Supervisory Board and Executive Committee on 19 December 2013. The Supervisory Board provided constructive support on corporate governance considerations relating to the 2020 strategy and followed them with great interest. Irrespective of the Supervisory Board's fundamental approval of the 2020 strategy, specific measures for implementing it still require the separate consent of the Supervisory Board as specified by the rules of procedure for the Executive Board.

Corporate governance and comply-or-explain statement

The regular reports by the Executive Board and some of the Company's managers on corporate governance matters were a further important subject area discussed by the Supervisory Board and its committees. As part of its monitoring duties in this area required by stock company law, the Supervisory Board itself ensured that it was informed about corporate governance matters by means of appropriate reports covering the internal control system, risk management, internal auditing and compliance within the Group, in addition to its Audit Committee dealing with these matters on a regular basis. The focus was on the processes in place as well as on the content of the individual reports. As a result of these reviews, the Supervisory Board was able to gain an impression of the processes in place and to examine and comment on the proposed developments in these areas.

As part of the further development of its procedures, the Supervisory Board and Audit Committee have decided to hold an extra Audit Committee meeting in the first quarter of every year in addition to its regular meetings. The meeting will address the following matters: the internal control system, risk management, internal audit and compliance within the Group. A further meeting of the full Supervisory Board is to take place in the fourth quarter of every year covering corporate strategy and its further development. The size of the committees and their effectiveness are also to be reviewed in the course of 2014. The Supervisory Board will decide during the year whether a formal efficiency review should take place at the end of 2014.

In accordance with section 3.10 of the German Corporate Governance Code, the Executive Board and the Supervisory Board provide a detailed report on corporate governance in the

KION Group in the corporate governance report. This is combined with the declaration on corporate governance pursuant to section 289a of the German Commercial Code (HGB) and can be found on pages 44 to 52 of the annual report. The report is also available on the KION GROUP AG website at kiongroup.com/GovernanceReport. For details of the remuneration paid to the Executive Board and the Supervisory Board for 2013, please refer to the remuneration report which can be found on pages 57 to 65 of the annual report.

At its meeting on 19 December 2013, the Supervisory Board thoroughly discussed the KION Group's compliance with the recommendations of the current version of the German Corporate Governance Code. The Supervisory Board keeps a close eye on changes to the Code and to governance standards at international level. The Executive Board and Supervisory Board submitted a comply-or-explain statement pursuant to section 161 of the German Stock Corporation Act (AktG) on 19 December 2013. It has been made permanently available to the public on the KION GROUP AG website. KION GROUP AG complied with all but one of the recommendations in the German Corporate Governance Code (version dated 13 May 2013) and intends to continue to do so in future. The only recommendation of the Code with which KION GROUP AG does not comply is the recommendation in section 3.8 (3) of the Code for an excess in the D&O insurance policies for members of the Supervisory Board. KION GROUP AG's articles of incorporation do not provide for this type of excess. The Company believes that such an excess is not typical at international level and would therefore make it considerably more difficult to find independent candidates, in particular candidates from outside Germany.

Matters relating to the Executive Board

The Supervisory Board appointed Hostettler, Kramarsch & Partner (hkp), a leading consultancy firm specialising in executive remuneration, to devise the remuneration system. The chairman of the Supervisory Board was provided with technical and administrative assistance in this matter, mainly by the Company's head of human resources and the head of the corporate office. The Executive Board exempted them from their obligation to report to the members of the Executive Board in order to perform this task. External, professional legal advisors were also consulted. Following the transformation of KION Holding 1 GmbH into a public limited company with an Executive Committee, a number of meetings were held between the chairman of the Supervisory Board and the members of the Human Resources Committee. During these meetings, the structure of the remuneration system, the individual components of the remuneration package, the vertical and horizontal appropriateness and content of the pension scheme for Executive Board members, including the provisions in the Executive Board service contracts, were discussed in detail and prepared for resolution. At the Supervisory Board meeting on 25 April 2013, the relevant decisions were made and the chairman of the Supervisory Board was authorised to conduct negotiations with the

Executive Board members. The members of the Human Resources/Executive Committee and the full Supervisory Board were constantly updated on the progress of the negotiations and the agreement reached with the Executive Board members.At the end of the negotiations, when the Supervisory Board had acknowledged the outcome, the chairman of the Supervisory Board signed the Executive Board service contracts on behalf of the Company.

Work of the committees

During the period prior to the change of the Company's legal form to a public limited company, KION Holding 1 GmbH had an audit committee, a human resources committee and a mediation committee pursuant to section 27 (3) of the German Codetermination Act (MitbestG).

On 29 May 2013, during the transformation of the Company into a public limited company, the Supervisory Board decided to maintain or create four committees at the future public limited company, the members of which were elected at a subsequent meeting of the Supervisory Board on 27 June 2013. The four committees were the Mediation Committee pursuant to section 27 (3) MitbestG, the Executive Committee, the Audit Committee and the Nomination Committee. These committees, but primarily the Executive Committee, prepare the matters to be discussed at the meetings of the full Supervisory Board. In individual cases, the Supervisory Board's decision-making powers were delegated to committees within the scope permitted by law. The chairman of the Supervisory Board is also chairman of all committees except the Audit Committee. At the meetings of the full Supervisory Board, the committee chairmen report in detail on the discussions of the committees to ensure that the Supervisory Board as a whole is always fully informed.

The Executive Committee consists of four shareholder representatives and four employee representatives. It prepares the meetings of the Supervisory Board and is responsible for ongoing matters between Supervisory Board meetings. The Executive Committee prepares the Supervisory Board's decisions relating to corporate governance, particularly amendments to the comply-or-explain statement pursuant to section 161 AktG reflecting changed circumstances and the checking of adherence to the comply-or-explain statement. It also prepares documents for the Supervisory Board when Executive Board members are to be appointed or removed and, if applicable, when a new Chief Executive Officer is to be appointed. Documents relating to any matters in connection with Executive Board remuneration are also compiled by the Executive Committee. The Executive Committee is also responsible for resolutions concerning the conclusion, amendment and termination of Executive Board employment contracts and agreements with Executive Board members governing pensions, severance packages, consultancy and other matters and for resolutions about any matters arising as a result of such contracts and agreements, unless they relate to remuneration. The responsibilities of the Executive Committee also include resolutions about the extension of loans to Executive Board members and parties related to them and to Supervisory Board members and parties related to them as well as resolutions to approve contracts with Supervisory Board members outside their Supervisory Board remit. The Executive Committee should – in consultation with the Executive Board – regularly deliberate on long-term succession planning for the Executive Board.

In 2013, the Executive Committee consisted of Dr John Feldmann (chairman), Dr Alexander Dibelius, Mr Joachim Hartig, Mr Denis Heljic, Mr Johannes P. Huth, Mr Thilo Kämmerer, Mr Jiang Kui and Mr Kay Pietsch. The Executive Committee met four times in 2013, including one conference call with the Audit Committee concerning the budget. The main topics discussed by the Executive Committee in 2013 were those concerning the Company's IPO and the KION 2020 strategy.

The Mediation Committee comprises the chairman of the Supervisory Board, his deputy, an employee representative and a shareholder representative. If the majority required by section 27 (3) and section 31 (3) MitbestG is not reached in a vote by the Supervisory Board on the appointment of an Executive Board member, the Mediation Committee must propose candidates for the post to the Supervisory Board within a month. The chairman of the Supervisory Board does not have a second vote on the candidates proposed.

In 2013, the Mediation Committee consisted of Dr John Feldmann (chairman), Mr Joachim Hartig, Dr Alexander Dibelius (until 27 June 2013) Mr Johannes P. Huth (from 27 June 2013) and Mr Kay Pietsch. The Mediation Committee did not need to be convened in 2013.

The Audit Committee comprises four members. Its purpose is to assist the Supervisory Board in performing its task of monitoring accounting processes, compliance matters and reporting. These responsibilities encompass monitoring the quality and integrity of the consolidated and separate financial statements (as well as related disclosures), the internal control mechanisms, risk management and the internal audit system. The Audit Committee also reviews the other work carried out by the independent auditor in connection with the audit and checks that the independent auditor is qualified and independent. It is also responsible for engaging the independent auditor, determining the focus of the audit and agreeing the fee. In addition, the Audit Committee exercises the rights in investee companies set forth in section 32 (1) MitbestG.

In 2013, the Audit Committee consisted of Mr Hans-Peter Ring (chairman, from 27 June 2013), Dr Martin Hintze (chairman, until 27 June 2013), Dr John Feldmann (from 27 June 2013), Dr Roland Köstler (until 30 September 2013), Mr Kay Pietsch, Ms Alexandra Schädler (from 2 October 2013) and Ms Silke Scheiber (until 27 June 2013). Mr Hans-Peter Ring is an independent financial expert within the meaning of sections 100 (5) and 107 (4) AktG.

The Audit Committee met seven times in 2013, including one conference call concerning the status of the annual financial statements and one conference call with the Executive Committee concerning the budget. The main topics discussed by the Audit Committee in 2013 were the 2013 annual financial statements, the budget and the regular subject of the key elements of corporate governance within the Company.

The Nomination Committee comprises four members, all of whom are shareholder representatives. The Nomination Committee's only task is to propose candidates for the Supervisory Board to the Supervisory Board for proposal to the Company's Annual General Meeting when Supervisory Board elections are due.

In 2013, the Nomination Committee consisted of Dr John Feldmann (chairman), Dr Martin Hintze, Mr Jiang Kui and Ms Silke Scheiber. The Nomination Committee did not meet in 2013.

In 2013, the Human Resources Committee, whose tasks were taken over by the Executive Committee following the change of legal form, consisted of Mr Johannes Huth (chairman), Mr Joachim Hartig, Dr Alexander Dibelius and Mr Thilo Kämmerer. The Human Resources Committee only met twice before it was replaced by the Executive Committee. At these meetings the Human Resources Committee discussed the future Executive Board service contracts and the remuneration of the members of the Executive Board of the future KION GROUP AG.

All members of the Supervisory Board attended the Supervisory Board meetings in 2013 apart from the following exceptions: at one meeting, three members sent their apologies, at four meetings, two members sent their apologies and at two meetings, one member sent apologies. With the exception of three committee meetings at each of which one member sent apologies, all the members of the committees attended all the meetings of each committee.

Audit of the separate and consolidated financial statements

The Company's independent auditor, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, audited the Company's separate financial statements and management report and the consolidated financial statements and group management report for the year ended 31 December 2013. Various meetings were held between the chairman of the Audit Committee and the auditors in preparation for the appointment of the auditors. They concerned the suitability and independence of the auditors, the regular rotation of the auditing staff responsible, which was already apparent at the time, and the question of fees. The forthcoming engagement of an auditing firm was discussed at the

Audit Committee meeting on 13 March 2013 and there was an opportunity to speak to the auditors in person. The key audit issues were discussed and set out accordingly at the Audit Committee's meetings on 13 March 2013 and 7 August 2013. The auditors were appointed by the chairman of the Supervisory Board on 11 December 2013.

The auditor issued an unqualified opinion for the separate financial statements, including the management report, for the year ended 31 December 2013 and the consolidated financial statements, including the group management report, for the year ended 31 December 2013.

In order to inform the Supervisory Board and its Audit Committee as soon as possible about the progress of the audit and the individual audit findings that were emerging, the members of both committees were offered two telephone briefings in which the Executive Board and the auditor took part. The auditor submitted his report and the documents relating to the financial statements to the members of the Audit Committee on 3 March 2014 and to the members of the Supervisory Board on 13 March 2014. The report was discussed in depth at the Audit Committee meeting on 10 March 2014 and at the full Supervisory Board meeting on 20 March 2014, both of which were attended by the auditor. At both of those meetings, the auditor reported in detail on the main findings of the audit and provided comprehensive answers to all questions asked by members of the Audit Committee and Supervisory Board.

Having itself scrutinised the Company's separate financial statements, consolidated financial statements, management report and group management report for the year ended 31 December 2013, the Audit Committee then made one recommendation to the full Supervisory Board, which the chairman of the Audit Committee explained in more detail in his report to the meeting of the full Supervisory Board. On this basis, following further discussion of its own, the Supervisory Board approved the results of the independent audit at its meeting on 20 March 2014. Based on the final outcome of the Supervisory Board's own review, no objections were raised. The Supervisory Board approved the Company's separate financial statements and consolidated financial statements for the year ended 31 December 2013 prepared by the Executive Board. The annual financial statements were therefore adopted.

At its meeting on 20 March 2014, the Supervisory Board also discussed and approved the proposal made by the Executive Board that the distributable profit of KION GROUP AG be appropriated for the payment of a dividend of €0.35 per no-par-value share. In doing so, the Supervisory Board took account of the Company's financial situation and performance, its medium-term financial and capital-expenditure planning and the interests of the shareholders. The Supervisory Board believes the proposed dividend is appropriate.

Review of the dependency report

The Supervisory Board also considered the report compiled by the Executive Board of KION GROUP AG concerning the Company's relationships with affiliated entities (dependency report). The Company's auditors, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, reviewed the dependency report, compiled an auditors' report on it and issued the following unqualified opinion based on their completed audit:

Auditor's opinion

Based on our audit and evaluation conducted in accordance with our professional duties, we hereby confirm that

1. *the factual information presented in the report is accurate,*
2. *the consideration paid by the company in the legal transactions listed in the report was not inappropriately high,*
3. *in respect of the transactions listed in the report, there are no circumstances that would support an assessment materially different from the assessment made by the Executive Board.*

The dependency report and the auditors' report about it were submitted to all the members of the Supervisory Board in good time and were discussed in detail in the presence of the auditor at the Supervisory Board meeting on 20 March 2014. The auditor reported on the main findings of his audit. The Supervisory Board agreed with the findings of the audit. Based on the final outcome of its own review, the Supervisory Board did not raise any objections to the Executive Board's declaration at the end of the report concerning relationships with affiliated entities.

Personnel changes

There were a number of changes to the membership of the KION GROUP AG and KION Holding I GmbH Executive Boards during 2013. Mr Klaus Hofer stepped down from the Executive Board of KION Holding 1 GmbH with effect from 10 January 2013. Mr Bert-Jan Knoef, Chief Executive Officer of STILL GmbH, Mr Theodor Maurer, Chief Executive Officer of Linde Material Handling GmbH, and Mr Ching Pong Quek, Chief Asia Pacific Officer joined the Executive Board of KION Holding 1 GmbH with effect from 11 January 2013.

There were also several changes on the Supervisory Board. Following the change of legal form, the size of the Supervisory Board was increased from twelve members to 16. At the Annual General Meeting on 5 June 2013, Mr Hans Peter Ring and Mr Tan Xuguang were also appointed as further shareholder representatives with effect from 9 June 2013.

Mr Denis Heljic and Mr Özcan Pancarci were appointed as employee representatives by the courts, with effect from 12 June 2013. Ms Alexandra Schädler was appointed by the courts as an employee representative to replace Dr Roland Köstler on the Supervisory Board, with effect from 2 October 2013.

The details of this report were discussed thoroughly at the Supervisory Board meeting on 20 March 2014 when it was adopted.

My colleagues on the Supervisory Board and I would like to thank the members of the Executive Board, the employees of KION GROUP AG and the Group companies in Germany and abroad for their commitment and outstanding achievements in 2013.

Dr John Feldmann
Chairman

KION shares

Strong growth for the equity markets in 2013

International securities markets exhibited a strong upward trend in 2013. The Euro Stoxx 50 increased from 2,636 points to 3,109 points, a gain of 18.0 per cent. The DAX was even more buoyant, rising by 25.5 per cent to 9,552 points. And the Dow Jones Industrial Index climbed by a substantial 26.5 per cent to 16,577 points.

However, there was volatility over the course of the year, primarily due to discussions and market expectations about the imminent scaling back by the Federal Reserve of its bond-buying programme, which is aimed at stimulating the economy. The Fed's announcements that it would possibly reduce its bond buying in the short term led to turbulence in international equity markets in late June. However, this step was postponed and low interest rates and indications of an economic turnaround then boosted share prices in the second half of the year.

Strong performance of KION shares after the IPO

Although the marketing period was characterised by the difficult situation in capital markets caused by uncertainty surrounding the Fed's bond buying, the KION Group successfully made its initial public offering (IPO) on 26 June 2013. Its shares have been listed in the Prime Standard segment of the Frankfurt Stock Exchange since 28 June 2013. >> TABLE 001

Basic information on KION shares >> TABLE 001

ISIN	DE000KGX8881
WKN	KGX888
Bloomberg	KGX.GR
Reuters	KGX.DE
Share type	No-par-value shares
Indices	SDAX, MSCI Small Cap Germany

A total of 19.8 million shares with an issue volume of €475.4 million were placed with new investors. During the stabilisation period in the 30 days after the IPO, 2.6 million of these shares were available for placement again as an over-allotment option. At the end of the stabilisation phase, the over-allotment option was exercised for 0.3 million shares, which meant that a total of 17.5 million shares remained in free float.

In the course of KION GROUP AG's flotation, there were also two accompanying capital increases with a total volume of €446.4 million: €328.4 million to raise the shareholding of Weichai Power (Luxembourg) Holding S.à r.l. (Weichai Power) to 30.0 per cent and €118.1 million through conversion into equity of a shareholder loan of Superlift Holding S.à r.l., whose shares are held in investment funds that are advised by Kohlberg Kravis Roberts & Co. L.P. (KKR) and The Goldman Sachs Group, Inc. (Goldman Sachs). As a result of the three capital increases in connection with the IPO, the KION Group's equity was increased by a total of €859.9 million before deduction of the directly attributable transaction costs.

On the first day of trading on 28 June 2013, the shares began trading at €24.19 and closed at €23.70. Investors' growing confidence in the business model of the KION Group and the general uptrend on international stock markets had a strong positive impact on the share price over the subsequent months.

By the end of the year, KION shares were trading at €30.73, an increase of 29.6 per cent on the closing price on 28 June, easily outperforming the wider market over this period. Between 28 June and the end of the year, the DAX and SDAX recorded gains of 20.0 per cent and 17.1 per cent respectively. KION shares were able to carry over this strong performance into the next year, closing on 7 March 2014 at €35.67. >> DIAGRAM 001

Free float has increased to 31.1 per cent since the IPO

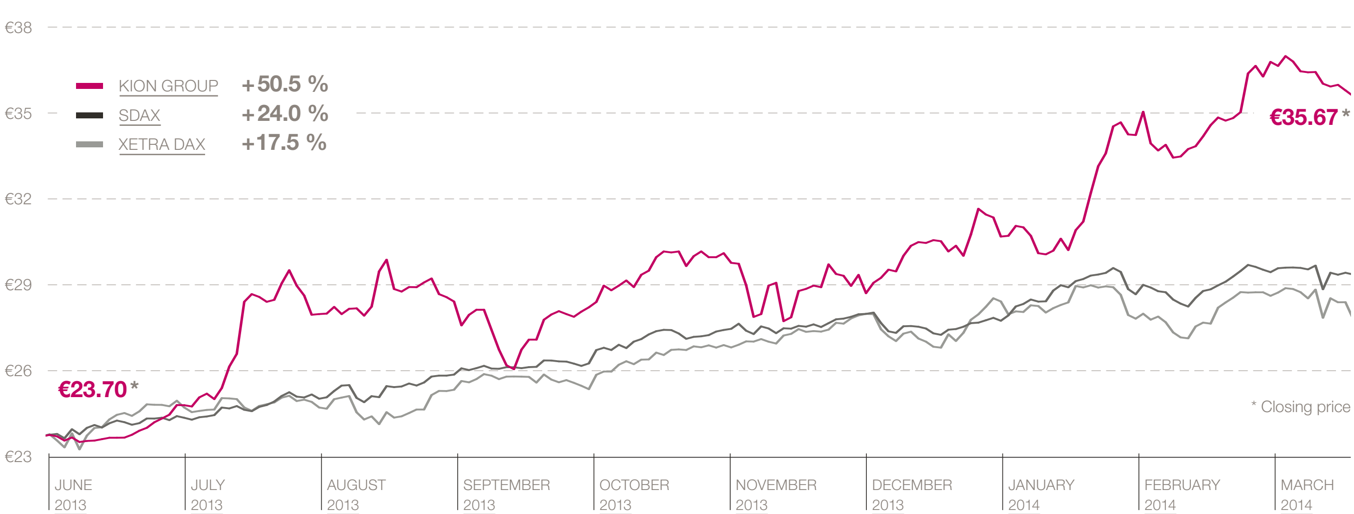
At the end of the stabilisation phase on 27 July 2013, 17.7 per cent of KION shares were in free float. Weichai Power held 30.0 per cent of the shares, while KKR, Goldman Sachs and the KION Group's management held the other 52.3 per cent.

The KION Group purchased a total of 200,000 treasury shares on the stock exchange between 28 August and 26 September 2013 in preparation for an employee share programme, which will be implemented during 2014. This equated to 0.2 per cent of the total number of shares.

Furthermore, many of the participants in the KION management partnership plan (MPP), which was launched for selected managers when the KION Group was sold in 2006, are now free to sell the shares held on their behalf by KION Management Beteiligungs GmbH & Co. KG (MPP KG) or to transfer them into their private investment accounts. As a result, these shares are deemed to be part of the free float. Shares held by members of the KION Executive Board and members of the Management Boards of Linde Material Handling GmbH and STILL GmbH remain subject to a lock-up period of one year following the IPO and are therefore reported as shares held by the KION Group's management that are still held by MPP KG. Further details about the shareholdings of members of the Executive Board of KION GROUP AG can be found in the Corporate Governance Report on page 52.

Until 28 December 2013, Weichai Power had an option to acquire shares from the stake held by KKR and Goldman Sachs and thereby increase its stake from 30.0 per cent to 33.3 per cent. Weichai Power exercised this option on 18 December 2013. The shares were transferred on 15 January 2014. Since completion of this transaction there has been a mutual right of first offer between Weichai Power, on the one hand, and KKR and Goldman Sachs on the other with respect to their respective shareholdings. Weichai Power has also undertaken not to acquire more than 49.9 per cent of KION shares between now and 28 June 2018 (as part of a standstill agreement).

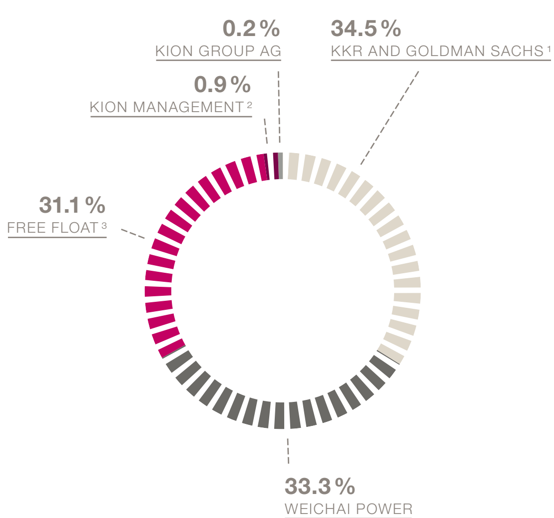
Share price performance from 28 June 2013 to 7 March 2014 >> DIAGRAM 001



Between the IPO and 28 December 2013, KKR and Goldman Sachs were prohibited from selling their shares. After that date, they were free to offer their shares for sale. On 7 January 2014, KKR and Goldman Sachs placed 10.7 million shares – 10.8 per cent of KION shares – on the stock exchange at a price of €29.50 per share. The placement closed within a few hours and was significantly oversubscribed. KKR and Goldman Sachs are now prohibited again from selling their shares until 7 April 2014.

Whereas 20.3 per cent of shares were in free float as at 31 December 2013, following the exercise of the option by Weichai Power and the share placement by KKR and Goldman Sachs, this figure has now risen to 31.1 per cent. KKR and Goldman Sachs remain KION GROUP AG's largest shareholders. >> DIAGRAM 002

Shareholder structure as at 7 March 2014 >> DIAGRAM 002



1 Held via Superlift Holding S.à r.l.
2 Held via KION Management Beteiligungs GmbH & Co. KG for participants in the management partnership plan whose shares are subject to a lock-up period.
3 Includes shares that are still held by KION Management Beteiligungs GmbH & Co. KG for participants in the management partnership plan but are no longer subject to a lock-up period and can therefore be sold or transferred to participants' private investment accounts.

SDAX inclusion

On 23 September 2013, following a periodic review of market indices, KION shares were included in the SDAX, the Deutsche Börse index of the 50 small public limited companies that follow those listed in the MDAX in terms of free-float market capitalisation and trading volume. This made KION shares attractive to a broader range of investors, because many institutional investors are predominantly interested in companies listed on an index. KION GROUP AG's free-float market capitalisation amounted to €617.8 million as at 31 December 2013 (€1,098.3 million as at 7 March 2014). The average daily trading volume for KION shares in 2013 was 104.4 thousand shares.

Attractive dividend of €0.35 per share planned

The Executive Board and Supervisory Board of KION GROUP AG will propose a dividend of €0.35 per share to the Annual General Meeting. This equates to a dividend payout rate of 25 per cent of net income. Pro-forma earnings per share for 2013 was €1.40. >> TABLE 002

Share data

>> TABLE 002

Opening price as at 28/06/2013	€24.19
All-time high 2013	€31.70
All-time low 2013	€23.50
Closing price as at 31/12/2013	€30.73
Market capitalisation as at 31/12/2013	€3,038.7 million
Performance 2013	29.6 %
Average daily volume 2013 in shares	104.4 thousand
Average daily volume 2013 in €	€2.7 million
Share capital	€98,900,000
Shares outstanding as at 31/12/2013	98,900,000
Pro forma earnings per share 2013	€1.40
Dividend per share 2013*	€0.35
Pay-out ratio*	25 %
Total dividend payment*	€34.5 million
Equity ratio as at 31/12/2013	26.7 %

* Proposed dividend for the fiscal year 2013

Majority of financial analysts recommend KION shares

Ten brokerage houses published regular studies about KION shares. Six of the analysts recommended KION shares as a buy; four rated them as neutral. The median target price specified for the shares was €37.50 as at 7 March 2014.

Greatly improved capital structure

Not only did the IPO significantly strengthen the Company's equity base, it also greatly improved the debt structure and maturity profile. Among other things, the loans taken up in connection with the acquisition of the KION Group in 2006 were fully repaid in July 2013 using the proceeds from the IPO. Of the existing bonds due to mature in 2018, the floating-rate tranche of €175 million has also been repaid in full.

In February 2013, KION Finance S.A. issued a new bond that will mature in 2020. Of the total volume of €650 million placed, €450 million is repayable at a fixed nominal interest rate of 6.75 per cent, while €200 million carries a floating interest rate based on three-month Euribor plus 450 basis points.

The KION Group's funding structure consists of the new bond with a volume of €650 million maturing in 2020, the fixed-rate tranche with a volume of €325 million maturing in 2018, which has an interest rate of 7.875 per cent, and a revolving credit facility (RCF) maturing in 2018. The RCF was restructured after the IPO, and up to €1,045 million can be drawn down as required.

As a result of the improved credit profile, the KION Group's credit rating went up in July 2013. Moody's upgraded the Corporate Family Rating by three notches, from B3 / positive to Ba3 / stable, while Standard & Poor's also significantly improved its credit rating for the KION Group, from B / stable to BB– / positive.

Many voting right notifications since the IPO

Between the IPO and 7 March 2014 KION GROUP AG released 48 publications of voting rights announcements. KKR, Goldman Sachs and Weichai Power have entered into a shareholder agreement regarding the exercise of their voting rights; details of the agreement can be found in the IPO prospectus. Under this agreement, the voting rights of the three shareholders must be added together by law. This means that any securities transaction involving KION shares that Goldman Sachs carries out, in particular as lead manager or in the course of its normal banking activities, will exceed the threshold above which a voting right notification is legally required. A voting right notification is required for such transactions and it must relate to all of the voting rights held by KKR, Goldman Sachs and Weichai Power. In addition to the numerous notifications of voting rights in conjunction with the IPO and the sale of shares in January 2014, there were consequently also a number of further voting right notifications. All notifications of voting rights received and published by KION GROUP AG can be found on the Company website at kiongroup.com/ir/voting_rights_announcements.

Services for shareholders

Investor relations activities

Even before its IPO, the KION Group attached great importance to providing a service for syndicate banks and capital market participants, particularly the bond investors. During the IPO process, the Executive Board and KION's investor relations (IR) team held in-depth discussions with investors and analysts, particularly in Europe and the United States, in order to explain the details of the business model to potential investors and encourage them to invest in KION shares. We will maintain and steadily increase this dialogue in future. After the IPO, we participated in numerous conferences, organised several roadshows unrelated to any specific transaction and held many one-to-one meetings with investors. Overall, the Executive Board and IR team talked to investors at conferences and roadshows on 16 days in the second half of the year and also met with a number of other investors in individual meetings at KION's headquarters in Wiesbaden. Besides the details of the business model, the focus was primarily on the KION Group's plans to increase its margins and on market performance in our various core regions.

In November, we invited investors and analysts to a factory day at Linde Material Handling's site in Aschaffenburg, where they were able to see Linde forklift trucks and warehouse trucks for themselves and gain an insight into how they are built.

Conference calls and online information

Ever since we issued our first bond in 2011, we have held a conference call for investors on the day on which financial reports are published. It is a chance for members of the Executive Board to explain the results and answer questions.

A wealth of information is available on the KION website under Investor Relations.

KION GROUP INVESTOR RELATIONS

kiongroup.com/ir

Here you can access data about KION shares and bonds, press releases, presentations and IR events as well as information about the Annual General Meeting and corporate governance within the Group. You can register for the IR newsletter under IR Services, which will enable you to receive our press releases and more. The contact details of the IR team and the financial calendar can also be found here. The KION Group's financial reports are available both as PDF files and as interactive online versions. The latter also contain a download section where, for example, you can download all of the tables as an Excel file.

First Annual General Meeting on 19 May 2014

KION GROUP AG will hold its first Annual General Meeting as a listed public limited company at the Rhein-Main-Hallen, Rheinstrasse 20, Wiesbaden on 19 May 2014. All of the necessary information about the event, including the announcement and agenda, will be published at the appropriate time on the Company website at kiongroup.com/agm.

Corporate Governance

Corporate governance report

Corporate governance covers the whole system of managing and monitoring an enterprise, the principles and guidelines that shape its business policy and the system of internal and external control and monitoring mechanisms. The Executive Board and Supervisory Board of KION GROUP AG believe that an uncompromising commitment to the highest standards of corporate governance is essential to the Company's long-term success. Compliance with these principles also promotes the trust that our investors, employees, business partners and the public have in the management and monitoring of the Company.

There is a close correlation between the corporate governance report required by section 3.10 of the German Corporate Governance Code as amended on 13 May 2013 (the Code) and the content of the corporate governance declaration required by section 289a German Commercial Code (HGB). For this reason, the Executive Board and the Supervisory Board of KION GROUP AG have combined the two statements.

DECLARATION PURSUANT TO SECTION 289a OF THE GERMAN COMMERCIAL CODE (HGB)

The corporate governance declaration required by section 289a HGB includes the comply-or-explain statement in accordance with section 161 AktG (see 1. below), relevant disclosures on corporate management practices extending beyond statutory requirements (see 2. below), a description of the working methods of the Executive Board and the Supervisory Board, and a description of the working methods and composition of the Supervisory Board committees (see 3. below). The declaration on corporate governance pursuant to section 289a HGB is part of the management report. According to section 317 (2) sentence 3 HGB, the information provided in accordance with section 289a HGB does not have to be included in the audit of financial statements.

1. Comply-or-explain statement pursuant to section 161 (1) AktG

Section 161 (1) of the German Stock Corporation Act (AktG) requires the management board and supervisory board of a publicly listed company to issue an annual declaration stating that the company has complied with, or intends to comply with, the recommendations of the Code and also stating which recommendations it has not applied or does not intend to apply, and the reasons why. Detailed reasons must be given for any departure from the recommendations of the Code. The comply-or-explain statement must be made permanently available to the public on the company's website.

KION GROUP AG has been a listed company on the regulated market of the Frankfurt Stock Exchange since 28 June 2013. It has not previously issued a comply-or-explain statement pursuant to section 161 (1) AktG. However, the Company has already stated in its IPO prospectus that with one exception, it complies, and will comply in future, with the recommendations in the Code.

The Executive Board and Supervisory Board have considered the recommendations of the Code in detail and on 19 December 2013 they issued the first comply-or-explain statement of KION GROUP AG as required by section 161 (1) AktG as follows:

1. KION GROUP AG complies, and will continue to comply in future, with all but one of the recommendations of the German Corporate Governance Code government commission (dated 13 May 2013) published by the Federal Ministry of Justice in the official part of the electronic Federal Gazette.

   In departure from section 3.8 (3) of the German Corporate Governance Code (the Code), the articles of incorporation of KION GROUP AG do not provide for an excess in the D&O insurance policies for members of the Supervisory Board. The Company believes that such an excess is not typical at international level and would therefore make it considerably more difficult to find independent candidates, in particular candidates from outside Germany.
2. KION GROUP AG has been a listed company since 28 June 2013 and has not previously issued a comply-or-explain statement pursuant to section 161 AktG. Since its initial public offering (IPO), KION GROUP AG has issued guidelines on diversity in the Company

in order to document its compliance with the recommendations in sections 4.1.5, 5.1.2 (1) and 5.4.1 (2) of the Code. Since the IPO, KION GROUP AG has complied with all of the recommendations of the government commission (dated 13 May 2013) except for the recommendation in section 3.8 (3) of the Code, as described above.

With respect to section 5.4.2 of the Code, the Supervisory Board believes that, taking account of the employee representatives on the Supervisory Board, it is appropriate to have two independent members of the Supervisory Board, who are elected by the shareholders.

Wiesbaden, 19 December 2013

For the Executive Board:

Gordon Riske Dr Thomas Toepfer

For the Supervisory Board:

Dr John Feldmann

The comply-or-explain statement is available on the website of KION GROUP AG kiongroup.com/comply_statement.

2. Relevant disclosures on corporate governance

The corporate governance of KION GROUP AG is essentially, but not exclusively, determined by the provisions of the German Stock Corporation Act and those of the Codetermination Act and also follows the recommendations of the German Corporate Governance Code. KION GROUP AG complies with all the Code's recommendations, with one exception. These fundamental principles are combined with a commitment to sustainable business, taking account of society's expectations in the markets in which the Company operates.

In 2013 the Executive Board and the Supervisory Board (or its committees) regularly discussed corporate governance issues in accordance with a rolling schedule of topics. This ensured that the key elements of corporate governance within the KION Group were always on the agenda at meetings of the Company's main decision-making bodies. The Supervisory Board in particular complied with the supervisory duties incumbent upon it under the German Stock Corporation Act. For example, the Supervisory Board's Audit Committee, which was set up partly for this purpose, received regular reports on the accounting processes and the effectiveness of the internal monitoring and risk management systems and of the audit of financial statements, and then reported back to the full Supervisory Board on these matters.

2.1 Internal control system

KION GROUP AG has an internal control system designed to meet the specific needs of the Company. Its processes are intended to ensure the correctness of the internal and external accounting processes, the efficiency of the Company's business operations and compliance with key legal provisions and internal policies. These control processes also include the Company's strategic planning, where the underlying assumptions and plans are reviewed on an ongoing basis and revised as necessary.

The Supervisory Board and in particular the Supervisory Board's Audit Committee regularly obtain information on the processes put in place as part of the internal control system and are satisfied as to their efficiency.

2.2 Accounting-related internal control system

For its accounting process, the KION Group has defined suitable structures and processes as part of its internal control and risk management system and implemented them throughout the Group. Besides defined control mechanisms, it includes, for example, system-based and manual reconciliation processes, clear separation of functions, strict compliance with the double-checking principle and written policies and procedures. The overarching aim is for the separate financial statements, consolidated financial statements, management report and group management report to be fully compliant with the relevant statutory and regulatory requirements and, in particular, the applicable financial reporting standards. Changes to these requirements and standards are analysed on an ongoing basis and taken into account as appropriate. Details can be found in the risk report, which is part of the group management report.

2.3 Risk management system

As part of professional and responsible corporate management, the Executive Board is required to regularly obtain information from the Company's risk management function about existing risks and changes to them and then to report on this to the Supervisory Board. The KION Group's risk management system is defined in groupwide risk guidelines, which contain a standardised catalogue of risks. Specific individual risks are then reported by the individual Group entities using an online reporting tool. Reporting on cross-segment risks and groupwide risks is carried out by the Accounting & Finance function and the relevant departments.

2.4 Compliance management system

The Executive Board and Supervisory Board of KION GROUP AG consider that adhering uncompromisingly to broad-ranging compliance standards is essential to sustained financial success. That is why a comprehensive compliance programme, centring around the KION Group Code of Compliance, has been set up for KION GROUP AG and its Group companies worldwide.

The KION Group Code of Compliance, which is available in all of the main languages relevant to the Group companies of KION GROUP AG, provides every employee with clear guidance on how to conduct their business in accordance with sound values and ethics and in compliance with the law. The aim is that all employees should receive regular training on the most important compliance subjects (e.g. competition law, data protection, communication and anti-corruption). Desk-based employees can use e-learning tools to complete the mandatory training.

Compliance activities focus on anti-corruption, foreign trade/export controls, liability of senior management, directors' and officers' liability, capital markets compliance, IT security and data protection.

KION GROUP's compliance organisation is made up of the following committees, functions and duties:

The Executive Board of KION GROUP AG bears collective responsibility for the functioning of compliance management within the Group; the compliance department reports to the Chief Executive Officer of KION Group AG. Responsibility for implementing compliance management has been delegated to the Chief Compliance Officer, the CEOs of the STILL and LMH segments, and the heads of the KION regions. Responsibility for monitoring of course remains with the CEO of the Group. The KION compliance department, the KION compliance team and the KION compliance committee provide operational support to the aforementioned functions. The KION compliance department focuses mainly on preventing compliance violations by providing guidance, information, advice and training. It manages the KION compliance team, in which local and regional compliance officers of the Group are represented.

The members of the compliance team at KION GROUP AG are available to advise all Group employees and answer their questions at any time. They are also responsible for the implementation of the compliance programme, particularly for providing advice, information and training.

Actual or suspected incidents of non-compliance can be reported by post, email or fax. All employees can also report any cases of non-compliance via a compliance hotline and can choose to remain anonymous.

As part of its work, the compliance department at KION GROUP AG cooperates closely with the legal and internal audit departments. The KION compliance committee is staffed by the heads of these departments and the head of human resources, operating as a cross-functional committee that primarily advises on, examines and, if relevant, punishes incidents of non-compliance that are reported. While the KION compliance department is responsible for preventing compliance violations, the internal audit unit is tasked with checking the facts of reported non-compliance cases. On behalf of the Executive Board, the internal auditors also monitor subsidiaries for compliance with regulations. If their audits confirm cases of non-compliance, it is the task of HR or Legal to remedy the violations and sanction those responsible, if appropriate.

The Management Boards of the KION brand parent companies and their subsidiaries are responsible for ensuring compliance. The

Local Compliance Representatives advise and support the directors and senior managers in ensuring compliance throughout the Group.

2.5 Audit-relevant processes

The KION Group's separate financial statements and management report, and the consolidated financial statements and group management report, which are prepared by the Executive Board of KION GROUP AG, are audited by an independent auditor, discussed by the Audit Committee and approved by the Supervisory Board.

The independent auditor reviews the condensed consolidated interim financial statements and the condensed interim group management report for the first half of the year. The Executive Board discusses all interim reports with the Audit Committee before they are published.

2.6 Avoiding conflicts of interest

Conflicts of interest between the governing bodies and other decision-makers in the Company or significant shareholders go against the principles of good corporate governance and are harmful to the Company. KION GROUP AG and its governing bodies therefore adhere strictly to the recommendations in the Code. The employees of KION GROUP AG and its investees are made aware of the problem of conflicts of interest as part of compliance training and are bound by rules on how to behave in the event of actual or potential conflicts of interest.

The Company attaches high priority to preventing possible conflicts of interest from occurring in the first place and to dispelling any impression that they might exist. This is especially important in view of the long-standing involvement of major shareholders Goldman Sachs and KKR, which exerted considerable influence over the Company's Executive Board in the years before KION GROUP AG's conversion to a public limited company and its IPO, Weichai Power's significant investment in KION GROUP AG, and the representation of these shareholders on the Supervisory Board of KION GROUP AG. The Company achieves these aims by avoiding business scenarios or personnel scenarios that could give the impression of a conflict of interest and by taking transparent steps that effectively avoid concerns about conflicts of interest.

The Company's Chief Executive Officer, Mr Gordon Riske, was appointed a non-executive director of Weichai Power with effect from 24 June 2013. The Supervisory Board had previously given its consent. Appropriate precautions have been taken to ensure that this role at a major shareholder of the Company does not create a conflict of interest relating personally to Mr Riske. Formal processes have been put in place to ensure that Mr Riske, in his role as a non-executive director of Weichai Power, will not be involved in transactions that could give rise to a conflict with the interests of the KION Group. Nor will Mr Riske will be involved in transactions relating to the exercise of voting rights by Weichai Power or its subsidiaries at the Annual General Meeting of KION GROUP AG. It has been ensured that Mr Riske maintains a strict separation between his duties as a non-executive director of Weichai Power and his duties as Chief Executive Officer of KION GROUP AG and that he fulfils all of his legal obligations in the interests of the Company.

Executive Board member Ching Pong Quek received an incentive bonus of RMB 486,659.00 in the year under review from Siming District, Xiamen, China. Based on the average exchange rate in 2013, this is equivalent to €59,596.20. This payment was not related to Mr Quek's work on the Executive Board; it was paid exclusively in connection with his role as a member of the Management Team (Chief Executive Officer) of Linde (China) Forklift Trucks Corp., Ltd., Xiamen, China. Similar incentives in varying amounts were also paid to 23 other members of the management team of Linde (China) Forklift Trucks Corp., Ltd., Xiamen, China. The bonuses are awarded each year by the administrative district of Siming to management teams of local companies who have made a particular contribution to the regional economy over the past twelve months. Such payments are also common in other districts in China and serve to make these regions more attractive to talented managers and, in particular, employees from foreign companies who are seconded to China. The payment was disclosed to the Chief Executive Officer and the Supervisory Board.

3. Working methods of the Executive Board and Supervisory Board and composition of the committees of the Supervisory Board

The Executive Board and Supervisory Board of KION GROUP AG have a close and trusting working relationship that focuses on ensuring the sustained success of the Company. The members of the Executive Board regularly attend Supervisory Board meetings, unless the Supervisory Board decides to meet without the Executive Board.

The Board of Management promptly, comprehensively and regularly reports to the Supervisory Board on the performance of the KION Group. Besides the reporting obligations defined by law, the rules of procedure for the Executive Board of KION GROUP AG set out further reporting requirements and reservations of approval in favour of the Supervisory Board.

3.1 Working methods of the Executive Board

The Executive Board of KION GROUP AG comprises five members. It is responsible for managing the Company in the Company's interest, i.e. taking account of shareholders, customers, employees and other stakeholders with the aim of creating sustainable added value. The Executive Board develops the Company's strategy, discusses it with the Supervisory Board and ensures that it is implemented. Every Executive Board member is responsible for his or her own area of responsibility, and keeps his or her fellow board members informed of developments on an ongoing basis.

>> TABLE 003

Responsibilities within the Executive Board *>> TABLE 003*

Executive Board	Responsibilities
Gordon Riske	**CEO KION GROUP AG** Strategy / Business Development Corporate Communications Corporate Office Internal Audit Compliance KION Warehouse Systems KION Synergies / Platforms North America Region South America Region
Dr Thomas Toepfer	**CFO KION GROUP AG** Accounting, Tax & Financial Services Corporate Finance / Investor Relations / M&A Controlling HR / Labour Relations Director Legal IT Purchasing Data Protection
Bert-Jan Knoef	**Executive Board member KION GROUP AG** CEO STILL GmbH Logistics / Urban
Theodor Maurer	**Executive Board member KION GROUP AG** CEO Linde Material Handling GmbH Quality Facility Management / Health Safety Environment
Ching Pong Quek	**Executive Board member KION GROUP AG / Chief Asia Pacific Officer** Asia Pacific Region

Every Executive Board member must disclose potential conflicts of interest to the Supervisory Board immediately and must also inform the other Executive Board members. All transactions between KION GROUP AG and Executive Board members or parties or companies closely associated with them must be concluded on an arm's-length basis.

Rules of procedure laid down by the Supervisory Board define the areas of responsibility of the Executive Board members and the way in which they work together. The full Executive Board normally meets every 14 days and is chaired by the CEO. Individual Executive Board members sometimes take part via video conference. At the meetings, the board members discuss measures and business that, under the Executive Board's rules of procedure, require the approval of the full Executive Board. Resolutions of the Full Executive Board are passed by simple majority unless a greater majority is required by law. The chairman has a casting vote in the event of a tied vote. Resolutions of the Executive Board may also be adopted between meetings. Taking account of the requirements of section 90 AktG, the Executive Board provides the Supervisory Board with regular, timely and comprehensive information on all matters of relevance to the business as a whole relating to operating policy, strategic planning, business performance, financial position, financial performance and business risks. The Chief Executive Officer meets regularly with the chairman of the Supervisory Board to discuss these matters too.

The working methods of the Executive Board are described in more detail in the rules of procedure laid down by the Supervisory Board for the Executive Board, which also set out the business allocation plan and the matters reserved to the full Executive Board. The Executive Board's rules of procedure reserve certain important transactions for the approval of the Supervisory Board. The budget planning requires the approval of the Supervisory Board, for example, as do major acquisitions or investments.

The Company is represented by two members of the Executive Board, by one member of the Executive Board acting conjointly with a Prokurist (person with full commercial power of representation), or by two Prokurists.

3.2 Working methods of the Supervisory Board

The Supervisory Board of KION GROUP AG advises and monitors the Executive Board in its management of the Company and reviews its work. The Supervisory Board is fully involved from an early stage in all decisions that are fundamental to KION GROUP AG.

The Supervisory Board of KION GROUP AG consists of 16 members, eight of whom are employee representatives and eight are shareholder representatives. The shareholder representatives are elected by the Annual General Meeting by simple majority.

The Supervisory Board has drawn up rules of procedure for its work. These apply in addition to the requirements of the articles of incorporation and also define the Supervisory Board committees. According to these rules, the chairman of the Supervisory Board coordinates its work and the cooperation with the Executive Board, chairs its meetings and represents it externally. The Supervisory Board meets in person at least twice in each half of a calendar year, and adopts its resolutions at these meetings. Between these meetings, resolutions may also be adopted in writing, by telephone or by other similar forms of voting, provided that the chairman of the Supervisory Board or, in his absence, his deputy, decides on this procedure for the individual case concerned. The Supervisory Board adopts resolutions by a simple majority of the votes cast unless a different procedure is prescribed by law. If a vote is tied, the matter will only be renegotiated if the majority of the Supervisory Board vote in favour of this option. Otherwise the Board must vote again without delay. If this new vote on the same matter also results in an equal number of votes for and against, the chairman of the Supervisory Board has a casting vote.

3.3 Objectives for the composition of the Supervisory Board

The Supervisory Board strives to ensure that its composition is appropriate to its responsibilities and obligations. In particular, this means considering members' individual qualities and skills as well as the specific requirements resulting from the global business activities of KION GROUP AG and its Group companies. The Supervisory Board is therefore of the opinion that the priority in aiming for a composition based on diversity must be the expertise of the individual members and a balanced mix of personal qualities, experience, skills, qualifications and knowledge of all members in line with the requirements of the business, and has agreed upon guidelines for the selection of Supervisory Board members in the form of a diversity statement. This also means that the Supervisory Board's aim is to have an appropriate number of women on the

Supervisory Board. Given that at present – as in the past – there are already two female members on the KION GROUP AG Supervisory Board, it believes that an appropriate proportion has already been achieved which takes account of the specifics of the enterprise and it will make efforts to retain this proportion of women. The Supervisory Board would also support the inclusion of other female Board members who meet the above criteria, but at present it does not see any need for further increasing the proportion of women on the KION GROUP AG Supervisory Board in the short term, or for introducing a mandatory quota for female members of the Supervisory Board. At the same time, it is following the debate in society and among politicians regarding a statutory minimum quota for women on supervisory boards and will take any measures that may be required.

3.4 Working methods and composition of the committees of the Executive Board and Supervisory Board

On 29 May 2013, but with effect from the registration of the change of form to KION GROUP AG, the Supervisory Board of KION Holding 1 GmbH (known as KION GROUP AG (under formation) before the effective date of the change of legal form) resolved to create four committees, whose tasks, responsibilities and work processes comply with the provisions of the German Stock Corporation Act (AktG) and the German Corporate Governance Code. The chairman of each committee reports regularly to the full Supervisory Board on his committee's work. The committees have each drawn up rules of procedure that define their tasks and working methods.

Executive Committee

The Executive Committee consists of four shareholder representatives and four employee representatives. Its chairman is always the chairman of the Supervisory Board. It prepares the meetings of the Supervisory Board and is responsible for ongoing matters between Supervisory Board meetings. The Executive Committee also prepares the Supervisory Board's decisions relating to corporate governance, particularly amendments to the comply-or-explain statement pursuant to section 161 AktG reflecting changed circumstances and the checking of adherence to the comply-or-explain statement. It also prepares documents for the Supervisory Board when Executive Board members are to be appointed or removed and, if applicable, when a new Chief Executive Officer is to be appointed. Other documents prepared by the Executive Committee relate to any matter in connection with Executive Board remuneration. The Executive Committee is also responsible for resolutions concerning the conclusion, amendment and termination of Executive Board employment contracts and agreements with Executive Board members governing pensions, severance packages, consultancy and other matters and for resolutions about any matters arising as a result of such contracts and agreements, unless they relate to remuneration. The responsibilities of the Executive Committee also include resolutions about the extension of loans to Executive Board members, Supervisory Board members and parties related to them within the meaning of sections 89 and 115 AktG, as well as resolutions to approve contracts with Supervisory Board members outside their Supervisory Board remit. The Executive Committee should – in consultation with the Executive Board – regularly deliberate on long-term succession planning for the Executive Board.

In 2013, the members of the Executive Committee were:

Dr John Feldmann (chairman)
Joachim Hartig (deputy chairman)
Dr Alexander Dibelius
Denis Heljic
Johannes P. Huth
Jiang Kui
Thilo Kämmerer
Kay Pietsch

Mediation Committee

The Mediation Committee comprises the chairman of the Supervisory Board, his deputy, an employee representative and a shareholder representative. If a majority of two thirds of votes as required by section 27 (3) and section 31 (3) MitbestG is not reached in a vote by the Supervisory Board on the appointment of an Executive Board member, the Mediation Committee must propose candidates for the post to the Supervisory Board within one month. The chairman of the Supervisory Board does not have a second vote on the candidates proposed.

In 2013, the members of the Mediation Committee were:

Dr John Feldmann (chairman)
Joachim Hartig (deputy chairman)
Johannes P. Huth (from 27 June 2013)
Dr Alexander Dibelius (until 27 June 2013)
Kay Pietsch

Audit Committee

The Audit Committee has four members, who are elected by the Supervisory Board. Its purpose is to assist the Supervisory Board in performing its task of monitoring accounting processes, compliance matters and reporting. These responsibilities encompass monitoring the quality and integrity of the consolidated and separate financial statements (as well as related disclosures), the internal control mechanisms, risk management and the internal audit system. The Audit Committee also reviews the work carried out by the independent auditor and checks that the independent auditor is qualified and independent. It is also responsible for engaging the independent auditor, determining the focus of the audit and agreeing the fee. In addition, the Audit Committee exercises the rights in investee companies set forth in section 32 (1) MitbestG.

In 2013, the members of the Audit Committee were:

Hans Peter Ring (chairman, from 27 June 2013)
Dr Martin Hintze (chairman, until 27 June 2013)
Kay Pietsch (deputy chairman)
Dr John Feldmann (from 27 June 2013)
Dr Roland Köstler (until 30 September 2013)
Alexandra Schädler (from 2 October 2013)
Silke Scheiber (until 27 June 2013)

As an independent member of the Audit Committee, the chairman, Hans Peter Ring, has the required expertise in the areas of accountancy and auditing specified in sections 100 (5) and 107 (4) AktG.

Nomination Committee

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

Members of the Nomination Committee:

Dr John Feldmann (chairman)
Dr Martin Hintze (deputy chairman)
Jiang Kui
Silke Scheiber

Until 27 June 2013, when its tasks were taken over by the Executive Committee, the members of the Human Resources Committee were:

Johannes P. Huth (chairman)
Joachim Hartig (deputy chairman)
Dr Alexander Dibelius
Thilo Kämmerer

EXECUTIVE BOARD AND SUPERVISORY BOARD SHAREHOLDINGS AND DIRECTORS' DEALINGS

1. Shareholdings

As at 31 December 2013, the shares in KION GROUP AG or related financial instruments held directly or indirectly by all members of the Executive Board and Supervisory Board equated to less than 1 per cent of all the shares issued by the Company.

2. Directors' dealings

Pursuant to section 15a of the German Securities Trading Act (WpHG), members of the Executive Board and the Supervisory Board and related parties are obliged to disclose transactions involving shares in the Company or related financial instruments if the value of these transactions reaches €5,000 or more within one calendar year. >> TABLE 004

Transactions pursuant to section 15a WpHG in 2013 >> TABLE 004

Buyer/Seller	Type of transaction	Date of transaction	Share price (€)	Number of shares	Total value (€)
Benita Riske	Purchase	28 June 2013	23.81984	3,000	71,459.52
Johannes Huth	Purchase	1 July 2013	23.690525	50,000	1,184,526.25
Holger Brandt	Sale	22 November 2013/ 18 December 2013*	29.5042	7,000	206,529.40

* The report dated 18 December 2013 refers to the report dated 22 November 2013, in which it was only possible to state a provisional sale price of €28.945 for the 7,000 shares. The report dated 22 November 2013 also stated that a second report concerning these 7,000 shares would be made once the final sale price had been determined. Mr Brandt has known the final sale price since 13 December 2013. It was determined by adjusting the provisional price of €28.945 per share, which was set on the day the shares were transferred to the broker, when the sale of the shares was completed in such a way as to avoid disrupting the market (which required an extended selling period). The price was adjusted by the payment of a premium of €0.5592, which was equivalent to the weighted average sale price achieved on each trading day. At the end of the sale period, this produced a final sale price of €29.5042.

Disclosures relevant to acquisitions, section 315 (4) HGB

The disclosures relevant to acquisitions pursuant to section 315 (4) HGB together with the explanatory report form an integral part of the group management report.

1. Composition of subscribed capital

The subscribed capital (share capital) of KION GROUP AG amounted to €98,900,000 as at 31 December 2013. It is divided into 98,900,000 no-par-value bearer shares. The share capital is fully paid-up. All of the shares in the Company give rise to the same rights and obligations. Each share confers one vote and entitlement to an equal share of the profits. The rights and obligations arising out of the shares are defined by legal provisions. As at 31 December 2013, the Company held 200,000 shares in treasury. The primary intention is to offer these treasury shares to staff as part of an employee share programme, the details of which are currently being prepared.

2. Restrictions on voting rights or the transfer of shares

There are generally no restrictions with respect to voting rights or the transfer of shares in the Company. In accordance with the legal provisions applicable to bearer shares, all of the shares in the Company can be traded freely.

As at 31 December 2013, KION Management Beteiligungs GmbH & Co. KG (KMB) held shares in the Company on behalf of managers in the Company and its subsidiaries. KMB has made an undertaking to the syndicate banks underwriting the IPO regarding the shares held by KMB for members of the Executive Board of the Company, the Executive Board of KION Material Handling GmbH and the Management Boards of Linde Material Handling GmbH and STILL GmbH at the time the underwriting agreement was signed as part of the IPO. It has undertaken not to dispose of these shares within a period of twelve months from the day after the Company's first day of trading on the stock exchange, i.e. until 29 June 2014. This obligation also includes other securities of the Company, including securities that can be converted into shares in the Company or options that can be exercised or exchanged to obtain shares in the Company. Under this agreement, KMB is not permitted to offer, pledge, allocate, sell or undertake to sell the shares concerned, sell call options or call contracts, buy put options, or grant call options, purchasing rights or subscription rights.

The Executive Board understands that KION GROUP AG's two major shareholders, Superlift Holding S.à r.l. ('Superlift') and Weichai Power (Luxembourg) Holding S.à r.l. ('Weichai Power') have entered into a shareholder agreement in which they have both undertaken to coordinate their voting at the Annual General Meeting of the Company in respect of certain resolutions. Furthermore, the Executive Board understands that Superlift and Weichai Power have come to an arrangement in the shareholder agreement to grant each other a mutual right of first offer in respect of the shares held by the other shareholder.

KION GROUP AG has no rights arising from the treasury shares that it holds (section 71b AktG).

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

As far as the Company is aware, the following companies directly or indirectly held more than 10 per cent of the voting rights in KION GROUP AG as at 31 December 2013:

- Superlift with a direct shareholding equivalent to 48.6 per cent of the voting rights

  Pursuant to the German Securities Trading Act (WpHG), the shareholding held by Superlift is deemed to belong to the following other companies:
  >> TABLE 005

Companies to which Superlift is deemed to belong >> TABLE 005

Company	Registered office
KKR & Co. L.P.	Wilmington, USA
KKR 1996 Overseas, Limited	George Town, Cayman Islands
KKR 2006 Fund (Overseas), Limited Partnership	George Town, Cayman Islands
KKR 2006 Limited	George Town, Cayman Islands
KKR Associates 2006 (Overseas), Limited Partnership	George Town, Cayman Islands
KKR Associates Europe II, Limited Partnership	Calgary, Canada
KKR Europe II Limited	George Town, Cayman Islands
KKR European Fund II, Limited Partnership	Calgary, Canada
KKR Fund Holdings GP Limited	George Town, Cayman Islands
KKR Fund Holdings L.P.	George Town, Cayman Islands
KKR Group Holdings L.P.	George Town, Cayman Islands
KKR Group Limited	George Town, Cayman Islands
KKR Management LLC	Wilmington, USA
KKR Partners (International), Limited Partnership	Calgary, Canada
KKR PEI Associates, L.P.	St. Peter Port, Guernsey
KKR PEI GP LIMITED	St. Peter Port, Guernsey
KKR PEI International Holdings GP Ltd.	George Town, Cayman Islands
KKR PEI International Holdings L.P.	George Town, Cayman Islands
KKR PEI Investments, L.P.	St. Peter Port, Guernsey
GS Capital Partners V Employee Fund, L.P.	Wilmington, USA
GS Capital Partners V Employee Funds GP, L.L.C.	Wilmington, USA
GS Capital Partners V Offshore, L.P.	George Town, Cayman Islands
GS Capital Partners V GmbH & Co. KG	Frankfurt am Main, Germany
GS Advisors V, L.L.C.	Wilmington, USA
GSCP V AIV, L.P.	George Town, Cayman Islands
GS Capital Partners V Institutional, L.P.	Wilmington, USA
GS Advisors V AIV, Ltd.	George Town, Cayman Islands
Goldman, Sachs & Co.	New York, USA
The Goldman Sachs Group, Inc.	Wilmington, USA

- Weichai Power with a direct shareholding equivalent to 30.0 per cent of the voting rights

  Pursuant to WpHG, the shareholding held by Weichai Power is deemed to belong to the following other companies:
  >> TABLE 006

Companies to which Weichai Power is deemed to belong >> TABLE 006

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

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

On 18 December 2013, Weichai Power exercised one of the call options granted to it by Superlift, acquiring with the completion of the purchase after the reporting date a further 3.3 per cent of the shares in KION GROUP AG from Superlift. Weichai Power therefore now holds 33.3 per cent of the shares in the Company. In addition, Superlift sold 10.7 million shares in KION GROUP AG to institutional investors in January 2014 as part of an accelerated bookbuilding process. Since then, it has held approximately 34.5 per cent of the shares. Since the reporting date, there may have been further changes to the aforementioned shareholdings of which the Company is unaware. As the shares in the Company are bearer shares, the Company only learns about changes to the size of shareholdings if they are notifiable pursuant to the WpHG or other regulations.

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

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

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

In connection with the acquisition of the business of the current KION GROUP AG from Linde AG in 2006, a relatively large group of managers and executives in the KION Group were given the opportunity to indirectly acquire shares in KION GROUP AG's legal predecessor, the former KION Holding 1 GmbH, through a limited partnership in KMB (see under 2 above). When KION Holding 1 GmbH was transformed into KION GROUP AG, these holdings were exchanged for shares in the new Company. The participants (limited partners) in KMB are free to instruct the programme to sell their shares or to transfer them into their private investment accounts unless lock-up provisions apply because the executives concerned are members of the Executive Board of KION GROUP AG or members of the management board of a consolidated German subsidiary (see under 2 above).

At the Annual General Meetings of KION GROUP AG, KMB is represented either by its general partner, KION Management Beteiligungs GmbH, or by its managing limited partners. Before important resolutions of the Annual General Meeting, these partners must convene a partners' meeting of KMB and obtain the approval of the limited partners with regard to how to vote. The limited partners pass resolutions by simple majority when taking a decision on how they should vote at the Annual General Meeting of KION GROUP AG.

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

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

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

The Supervisory Board is authorised in article 10 (3) of the articles of incorporation to amend the articles of incorporation provided that such amendments relate solely to the wording.

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

The Extraordinary General Meeting on 13 June 2013 authorised the Company, in the period up to 12 June 2016, to acquire for treasury up to 10 per cent of all the shares in issue at the time of the resolution or in issue on the date the authorisation is exercised, whichever is the lower. Together with other treasury shares in possession of the Company or deemed to be in its possession pursuant to section 71a et seq. AktG, the treasury shares bought as a result of this authorisation must not exceed 10 per cent of the Company's share capital at any time. The Company may sell the purchased treasury shares through a stock exchange or by means of an offer to all shareholders. It may also sell the shares in return for a non-cash consideration, in particular in connection with the acquisition of a business, parts of a business or equity investments. In addition, the treasury shares may be offered to employees of the Company or of an affiliated company as part of an employee share ownership programme. The treasury shares can also be retired. Share buyback for trading purposes is prohibited.

The authorisation may be exercised on one or more occasions, for the entire amount or for partial amounts, in pursuit of one or more aims, by the Company, by a subsidiary or by third parties for the account of the Company or the account of a subsidiary. At the choice of the Executive Board, the shares may be purchased through the stock exchange, by way of a public purchase offer made to all shareholders or by way of a public invitation to shareholders to tender their shares.

So far, the Company has only exercised this right when it acquired 200,000 shares between 28 August and 26 September 2013. The intention is to offer these shares to staff at the Company and certain Group companies in 2014 as part of an employee share programme.

The Company did not have any conditional or authorised capital in 2013.

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

In the event of a change of control resulting from a takeover bid, certain consequences are set out in the following contracts concluded between Group companies of KION GROUP AG and third parties:

- Covenant agreement dated 15 April 2011 in connection with the €325,000,000 7.875 per cent senior secured notes maturing in 2018, concluded between Deutsche Trustee Company as trustee, KION Finance S.A. and KION Group GmbH (now KION Material Handling GmbH).
- Covenant agreement dated 14 April 2013 in connection with the €450,000,000 6.75 per cent senior secured notes maturing in 2020 and the €200,000,000 senior secured floating rate notes maturing in 2020 of KION Finance S.A., concluded between Deutsche Trustee Company Limited as trustee, KION Finance S.A. and KION Group GmbH (now KION Material Handling GmbH).

In the event that a third party (with the exception of KKR and Goldman Sachs, companies affiliated with them or funds or limited partnerships/partnerships owned by them or that are advised or managed by them) acquires beneficial ownership of more than 50 per cent of all shares in KION GROUP AG, KION GROUP AG will be obliged to submit an offer to acquire the aforementioned debt instruments at a price of 101 per cent of their nominal value. This offer must remain valid for a minimum of 30 days from the date of the change of control

- Senior facility agreement dated 23 December 2006 (and amended on several occasions thereafter), concluded between KION Group GmbH (now KION Material Handling GmbH) and, among others, the London branch of UniCredit Bank AG

In the event that a third party (with the exception of KKR and Goldman Sachs, companies affiliated with them or funds or limited partnerships/partnerships owned by them or that are advised or managed by them) acquires beneficial ownership of more than 50 per cent of all shares in KION GROUP AG, any loan facilities drawn down would be immediately repayable and any that had not been drawn down would be automatically cancelled.

- KION Material Handling GmbH has entered into an agreement with Volkswagen AG for the supply of internal combustion engines. This agreement includes a provision under which either party may terminate the agreement without notice if there is a change in ownership involving more than 50 per cent of the shares in either case.

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

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

Remuneration report

This remuneration report forms an integral part of the group management report for KION GROUP AG. In accordance with statutory requirements and the recommendations of the German Corporate Governance Code as amended 13 May 2013 (DCGK), it explains the main features of the remuneration system used for the Executive Board and the Supervisory Board of the Company and also discloses the remuneration paid to the individual members of the Executive Board and the Supervisory Board in return for the work that they carried out on behalf of the Company and its subsidiaries in 2013. Remuneration disclosures also include remuneration received by members of the Company's Executive Board and Supervisory Board and third parties when they were members of the Executive Board or Supervisory Board of the former KION Holding 1 GmbH before new Executive Board service contracts were signed with KION GROUP AG for the performance of their duties at the Company and its subsidiaries in 2013.

EXECUTIVE BOARD REMUNERATION

Remuneration system

At its meeting held on 25 April 2013, the Supervisory Board of the former KION Holding 1 GmbH adopted a resolution as part of the conversion of the Company into a public limited company to approve the remuneration system for the future Executive Board of KION GROUP AG and fix the remuneration to be paid to the individual members of the Executive Board. This resolution was in line with the Human Resources Committee's recommendation. The Supervisory Board took care not only to ensure compliance with the requirements of the German Stock Corporation Act (AktG) and the DCGK, but also to ensure that the remuneration to be paid to the individual members of the Executive Board was harmonised. Although the Executive Board service contracts were to come into force on the effective date of the change in legal form, i.e. on 4 June 2013, the new remuneration system was conditional upon KION GROUP AG's successful IPO and therefore only came into force on the day after the first day of trading on the Frankfurt Stock Exchange on 28 June 2013. Up to that point, KION GROUP AG continued to use the remuneration arrangements applicable to the board members of the former KION Holding 1 GmbH and arising from their respective service contracts with the various subsidiaries. The following information therefore provides a brief description of the Executive Board remuneration arrangements initially in force in the period from 4 June to 28 June 2013 and then gives a detailed description of the Executive Board remuneration system applicable since 29 June 2013.

Essential features of the Executive Board remuneration system in the period 4 June 2013 to 28 June 2013

In the period between the effective date of the change in the legal form of the Company to a public limited company and the first day of trading in the Company's shares on the Frankfurt Stock Exchange on 28 June 2013, the arrangements applied for the remuneration of the members of the Executive Board remained the same as the arrangements that had applied prior to 4 June 2013 under the service contracts with the various subsidiaries relevant to the persons concerned. The total remuneration paid to the members of the Executive Board in this period comprised a non-performance-related salary and non-performance-related non-cash benefits, performance-related (variable) remuneration and pension entitlements.

Non-performance-related remuneration consisted of a fixed annual salary (basic remuneration) and additional benefits. The fixed annual salary was paid at the end of each month in twelve equal instalments, the last payment being made for the full month in which the Executive Board service contract ended. The additional benefits essentially included use of a company car and the payment of premiums for accident insurance with benefits at a typical market level.

The performance-related remuneration was a variable remuneration component based on performance measured over one year. It was structured differently for each individual Executive Board member. In the case of Mr Riske and Dr Toepfer, who were employed by KION GROUP GmbH (now KION Material Handling GmbH) prior to the change in legal form of KION Holding 1 GmbH, there was a combined performance and target-based bonus system based on two performance targets: adjusted earnings before interest, taxes and amortisation (EBITA) and unlevered free cash flow (UFCF). For Mr Knoef, Mr Maurer and Mr Quek, the relevant bonus system was that used by the Group companies in which they were a member of the management board up to their appointment to the Executive Board of the Company and that was based on annual financial performance targets of a varying nature weighted according to brand and

Group criteria. Achievement of the targets for EBIT (40 per cent weighting), UFCF (also 40 per cent weighting) and revenue (20 per cent weighting) was measured in 2013.

In all bonus systems, the possible range for target achievement was 0 per cent to 200 per cent. If the targets derived from the annual budget were achieved in full, target achievement was 100 per cent. The target achievement levels for each weighted Company target were added together to give the total target achievement.

The pension entitlements consisted of contributions for retirement, invalidity and surviving dependants' benefits. Specifically:

Mr Riske and Mr Knoef participated in a defined benefit scheme funded entirely by the Company. This scheme was a final salary scheme guaranteeing Mr Riske a retirement pension of up to 50 per cent of his final basic salary and Mr Knoef a retirement pension of up to 60 per cent of his final basic salary. Dr Toepfer and Mr Maurer also belonged to defined benefit schemes comprising two components fully funded by KION: a fixed basic pension to a maximum amount of €36,000 p.a. for Dr Toepfer and to a maximum amount of €30,000 p.a. for Mr Maurer (the final amount in each case being dependent on the duration of the service contract) and a variable top-up pension based on 12 per cent of basic salary for Dr Toepfer and 9 per cent of basic salary for Mr Maurer, from which a fixed pension component could be calculated by multiplying the amounts concerned by an age-related annuitisation factor each year. Subject to participation in the deferred compensation model offered by the KION Group (KION pension plan), both Dr Toepfer and Mr Maurer also receive a third component (referred to as the matching employer contribution): they were granted an additional Company contribution to be invested in the KION pension plan (up to a maximum of 6 per cent of basic salary for Dr Toepfer and up to a maximum of 5 per cent of basic salary for Mr Maurer, depending on the amount of deferred compensation); the amount concerned was converted into guaranteed pension capital by multiplying it by an age-dependent annuitisation factor each year. Mr Quek was not entitled to a company pension.

Essential features of the Executive Board remuneration system since 29 June 2013

Since the IPO, the remuneration of the Executive Board of KION GROUP AG has been determined in accordance with the requirements of the AktG and the DCGK. It reflects the size and complexity of the KION Group, its business and financial situation, its performance and future prospects, the normal amount and structure of executive board remuneration in comparable companies and the internal salary structure. The Supervisory Board also took into account the relationship between the Executive Board remuneration and the remuneration paid to senior managers and the workforce of the Company as a whole, including increases over the course of time. Other criteria used to determine remuneration included the remit and work to be carried out by the individual members of the Executive Board. The remuneration system was converted with support from external consultants working independently of the Executive Board and the Company.

The total remuneration now paid to the Executive Board also comprises a non-performance-related salary and non-performance-related non-cash benefits, performance-related (variable) remuneration and pension entitlements. When the variable remuneration structure was defined, the emphasis was on creating a measurement basis covering a number of years, thus providing the members of the Executive Board with an incentive to contribute to the sustained and long-term growth of the Company. The structure also takes into account both positive and negative performance.

In addition, the remuneration for all members of the Executive Board is subject to upper limits on the amounts payable, both overall and also in terms of the variable components.

The pension entitlements consist of entitlements in respect of retirement, invalidity and surviving dependants' benefits. The Supervisory Board regularly reviews the structure and appropriateness of Executive Board remuneration.

Non-performance-related remuneration

The Executive Board members of KION GROUP AG receive non-performance-related remuneration in the form of a fixed annual salary (basic remuneration) and additional benefits. The fixed annual salary is paid at the end of each month in twelve equal instalments, the last payment being made for the full month in which the Executive Board service contract ends. The additional benefits essentially comprised use of a company car and the payment of premiums for accident insurance with benefits at a typical market level.

Additional special benefits have been agreed for Mr Quek because he has been sent from Singapore to China on foreign assignment.

Mr Quek's remuneration is therefore structured as if he were liable for taxes and social security contributions in Singapore. KION GROUP AG pays the additional taxes and social security contributions that Mr Quek incurs in China and Germany. In 2013, this amount was €227,077. The additional benefits agreed with Mr Quek include the cost of trips home to Singapore for Mr Quek and his family, a company car, rental payments in Xiamen and private health insurance. In 2013, the special additional benefits for Mr Quek amounted to a total of €117,161. These special benefits will be granted for as long as Mr Quek's designated place of work is Xiamen or until his service contract with KION GROUP AG ends.

Performance-related remuneration

The performance-related remuneration components consist of a variable remuneration component measued over one year and a variable remuneration component measured over several years in the form of a rolling performance share plan with a three-year term.

One-year variable remuneration

The one-year variable remuneration is a remuneration component linked to the business profitability and productivity of the KION Group in the relevant financial year. Its amount is determined by the attainment of targets based on the following KPIs: earnings before interest, taxes and amortisation (EBITA), return on capital employed (ROCE), revenue and net debt. They are weighted as follows: 30 per cent for EBITA, 30 per cent for ROCE, 20 per cent for revenue and 20 per cent for net debt. The target values for the financial components are derived from the annual budget and specified by the Supervisory Board.

The possible range for target achievement is 0 per cent to 200 per cent. If the targets derived from the annual budget are achieved in full, target achievement is 100 per cent. The target achievement levels for the weighted Company targets (EBITA, ROCE, revenue and net debt) are added together to give the total target achievement.

The individual performance of the Executive Board members is rated using a discretionary performance multiple with a factor of between 0.8 and 1.2. The factor is determined by the Supervisory Board with reference to attainment of the individual targets defined by the Supervisory Board in a target agreement form at the start of the year. The factor is applied to total target achievement for the budget targets and results in payment of the individual target bonus if the overall target attainment is 100 per cent. The amount paid as one-year variable remuneration is capped at 200 per cent of the target bonus.

In the event that an Executive Board member is not entitled to remuneration for the entire year on which the calculation is based, the remuneration is reduced pro rata temporis.

Multiple-year variable remuneration

The multiple-year variable remuneration component is structured in the form of a performance share plan. At the start of the three-year performance period, a conditional entitlement to a certain target number of performance shares is granted. This number is calculated by dividing the allocation value (in euros) for the particular Executive Board member by the fair value of one performance share at the time of grant. The number of preliminary performance shares defined in this way is adjusted depending on achievement of the two target values – total shareholder return (TSR) for KION shares compared with the STOXX® Europe Total Market Index (TMI) Industrial Engineering index and return on capital employed (ROCE) – over the performance period. Each target has a 50 per cent weighting.

The possible range for target achievement for both elements is 0 per cent to 150 per cent. If KION shares outperform the STOXX® Europe TMI Industrial Engineering index by 10 per cent and the ROCE targets defined each year on the basis of the budget are achieved, total target achievement will be 100 per cent.

The amount paid for each tranche is determined by the final number of performance shares multiplied by the price of the Company's shares (average price over the preceding 60 trading days) at the end of the performance period. Depending on achievement of the individual targets defined by the Supervisory Board at the start of the performance period (three-year target agreement form), the Supervisory Board can use a discretionary factor to make a final adjustment to the calculation of the amount to be paid out at the end of the performance period by plus or minus 20 per cent, although the maximum payment may not exceed 200 per cent of the allocation value.

The plan is a cash-settled long-term incentive plan that does not include the right to receive any actual shares. The first payment under the plan will be made in 2016.

Under the requirements of German accounting standard (GAS) 17 and IFRS 2, the total expense arising from share-based payments and the fair value of the performance share plan on the date of granting must be disclosed. As the conditional entitlements under the performance share plan were only granted for the first time in 2013, there are no comparative prior-year figures to disclose >> TABLE 007

Performance share plan >> TABLE 007

	Fair value of the performance share plan on the date of grant	Number of performance shares granted[1]	Fair value per performance share on date of grant	Total expense for share-based remuneration in 2013
Gordon Riske	€1,500,000	73,710	€20.35	€349,975
Bert-Jan Knoef	€1,000,000	49,140	€20.35	€233,317
Theodor Maurer	€1,000,000	49,140	€20.35	€233,317
Ching Pong Quek	€830,000	40,786	€20.35	€193,652
Dr Thomas Toepfer	€1,000,000	49,140	€20.35	€233,317
Total	**€5,330,000**	**261,916**		**€1,243,578**

1 The target number of performance shares (PS) is calculated by dividing the allocation value by the fair value of one performance share. In this calculation, the number of performance shares is rounded to the nearest whole number where necessary.

Prior to the planned IPO, Executive Board member Dr Thomas Toepfer was granted a special bonus (to be payable in two tranches) dependent on a successful IPO and subject to the condition that Dr Toepfer remained employed by KION GROUP AG after the IPO for a period of twelve months (for tranche 1) and 18 months (for tranche 2). The amount of the bonus depends on the weighted average price of KION shares in the four weeks immediately preceding the payment of each tranche. On the basis of the share price of €30.73 as at 31 December 2013, the fair value of the bonus as at the reporting date was approximately €1.5 million. The pro-rata expense for 2013 ist €0.6 million. If, prior to the due dates for the payment of tranche 1 or tranche 2, Dr Toepfer dies, suffers permanent incapacity or is forced to leave the Company without good cause of his own making, he will remain entitled to payment of this bonus.In connection with the provision of this special bonus entitlement, Dr Toepfer paid a one-off capital contribution of €200,000 into the Company, which the Company has deducted from the net amount of a bonus for 2012 due to be paid to Dr Toepfer in 2013.

Pension entitlements

KION GROUP AG grants its Executive Board members direct entitlement to a company pension plan consisting of retirement, invalidity and surviving dependants' benefits. The defined benefit entitlement for Gordon Riske, the Company's Chief Executive Officer, which had been granted in his original service contract, was transferred to his Executive Board service contract. The benefit amounted to a maximum of 50 per cent of the most recent fixed annual salary after the end of the tenth year of service based on his original service contract. For the other members of the Executive Board, the present value of the previous defined benefit plan was transferred as a starting contribution for new pension arrangements in the form of a defined contribution plan. The new defined contribution plan is structured as a cash balance plan.

For each of the ordinary members of the Executive Board, a fixed annual contribution of €150,000 (€124,500 for Mr Quek) will be paid into their pension accounts for the duration of the member's period of service on the Executive Board. Interest is paid on the pension account at the prevailing statutory guaranteed return rate for the life insurance industry (applicable maximum interest rate for the calculation of the actuarial reserves of life insurers pursuant to section 2 (1) German Regulation on the Principles Underlying the Calculation of the Premium Reserve (DeckRV)) until an insured event occurs. If higher interest is generated by investing the pension account, it will be credited to the pension account when an insured event occurs (surplus). The standard retirement age for the statutory pension applies. Once Executive Board members have reached their 62nd birthday, they are entitled to early payment of the pension. In the event of invalidity or death, the contributions that would have been made until the age of 60 are added to the pension account, although only a maximum of ten contributions will be added. When an insured event occurs, the pension is paid as a lump sum or, following a written request, in ten annual instalments.

Termination benefits

In line with the DCGK, all Executive Board service contracts provide for a severance payment equivalent to no more than two years' annual remuneration payable in the event of the contract being terminated prematurely without good cause. The amount of annual remuneration is defined as fixed salary plus the variable remuneration elements, assuming 100 per cent target achievement and excluding non-cash benefits and other additional benefits, for the last full financial year before the end of the Executive Board service contract. If the Executive Board service contract was due to end within two years, the severance payment is calculated pro rata temporis. If a service contract is terminated for good cause for which the Executive Board member concerned is responsible, no payments are made to the Executive Board member in question. The Company does not have any commitments for the payment of benefits in the event of a premature termination of Executive Board contracts following a change of control.

Executive Board members are subject to a post-contractual non-compete agreement of one year. In return, the Company pays the Executive Board member compensation for the duration of the non-compete agreement amounting to 100 per cent of his final fixed salary. Other income of the Executive Board member is offset against the compensation.

In the event that Mr Riske's appointment is not extended for reasons for which he is not responsible and he has not reached the standard retirement age for the statutory pension or in the event that Mr Riske resigns for good cause before the end of his appointment or suffers permanent incapacity after his period of service as a result of sickness, he will receive transitional benefits of €252,000 per annum on the basis of previous contracts. During his current term of office, the amount of the transitional benefits will rise by €12,000 each year up to a maximum amount of €300,000 per annum. Severance payments in the event of early termination of his appointment without good cause, compensation for the post-contractual non-compete agreement, pension benefits that Mr Riske receives due to his previous work for other employers and income from other use of his working capacity (with the exception of remuneration for work as a member of a supervisory or advisory board or a board of directors) will be offset against these transitional benefits.

If an Executive Board member suffers temporary incapacity, he will receive for a period of six months a full fixed salary plus the one-year variable remuneration. In the event of temporary incapacity for a further six months, the Executive Board member will receive 80 per cent of his fixed salary, but only up to a point at which the service contract is terminated.

If an Executive Board member ceases to be employed by the Company as a result of death, he or his family members will be entitled to the fixed monthly remuneration for the month in which the service contract ends and for the three subsequent months, but only up to the point at which the service contract would otherwise have come to an end.

Remuneration of Executive Board members

	Basic, non-performance-related pay		Other, non-performance-related benefits[2]		One-year performance-related variable remuneration	
	2013	2012	2013	2012	2013	2012
Gordon Riske[1,4]	€700,000	€600,000	€25,606	€28,257	€724,226	€1,219,194
Bert-Jan Knoef[1]	€440,761	€0	€21,310	€0	€283,483	€0
Theodor Maurer[1]	€440,761	€0	€23,495	€0	€319,880	€0
Ching Pong Quek[1]	€480,566	€0	€123,502	€0	€350,520	€0
Dr Thomas Toepfer[1,4]	€462,520	€141,680	€26,605	€11,724	€472,131	€290,718
Former Executive Board members, 2012/2013[4,5]	€10,145	€1,075,000	€1,226	€74,464	€7,023	€2,109,515
Total for 2013	**€2,534,753**	**€1,816,680**	**€221,744**	**€114,445**	**€2,157,263**	**€3,619,427**

1 Mr Gordon Riske had been a member of the Executive Board of KION GROUP GmbH since 1 October 2007 and switched to the Executive Board of KION GROUP AG with effect from 4 June 2013. Dr Thomas Toepfer had been a member of the Executive Board of KION GROUP GmbH since 1 September 2012 and switched to the Executive Board of KION GROUP AG with effect from 4 June 2013. Mr Bert-Jan Knoef, Mr Theodor Maurer and Mr Ching Pong Quek had been members of the Executive Board of KION GROUP GmbH since 11 January 2013 and switched to the Executive Board of KION GROUP AG with effect from 4 June 2013.
2 Other, non-performance-related benefits include expenses and/or benefits in kind, such as the use of a company car and housing costs.
3 Fair value on the date of grant.
4 The value for one-year variable remuneration for 2013 also includes the difference between the 2012 bonus reserve and the actual bonus paid in 2012.
5 Former members of the Executive Board of KION Holding 1 GmbH.

Remuneration paid to members of the Executive Board in 2013

The total remuneration granted to Executive Board members for 2013, including the remuneration paid for the period when they were members of the Executive Board of KION Holding 1 GmbH was €11,114,473. Of this amount, €2,534,753 was attributable to fixed non-performance-related remuneration components, €8,357,976 to variable one-year and multiple-year performance-related remuneration components and €221,744 to other non-performance-related benefits. The figure shown for one-year variable remuneration is based on a preliminary total target achievement rate calculated using preliminary earnings figures at the beginning of 2014. This preliminary variable remuneration for each Executive Board member is also subject to adjustment by the Supervisory Board in line with the individual performance of the Executive Board member. This adjustment may vary by +/−20 per cent of the variable remuneration. For multiple-year variable remuneration, the fair value at the date of grant is shown as a preliminary notional variable. The first payment will be made in 2016, provided the Company's long-term targets are achieved.

Excluding the period in which they were members of the Executive Board of KION Holding 1 GmbH, i.e. for the period since the IPO on 28 June 2013 only, the total remuneration granted to Executive Board members for 2013 was €8,671,538. Of this amount, €1,412,752 was attributable to fixed non-performance-related remuneration components, €7,143,197 to variable one-year and multiple-year performance-related remuneration components and €115,589 to other non-performance-related benefits.

The additional benefits were measured at the value calculated for tax purposes. >> TABLE 008

>> TABLE 008

Multiple-year, performance-related, share-based remuneration (long-term incentive)[3]				Total	
Performance share plan	IPO bonus	Performance share plan	IPO bonus		
2013	2013	2012	2012	2013	2012
€1,500,000	€0	€0	€0	€2,949,832	€1,847,451
€1,000,000	€0	€0	€0	€1,745,554	€0
€1,000,000	€0	€0	€0	€1,784,136	€0
€830,000	€0	€0	€0	€1,784,588	€0
€1,000,000	€870,713	€0	€0	€2,831,969	€444,122
€0	€0	€0	€0	€18,394	€3,258,979
€5,330,000	**€870,713**	**€0**	**€0**	**€11,114,473**	**€5,550,552**

There were also termination benefits of €6,001,370 and share-based remuneration of €39,050 for members of the Executive Board in 2012, which were not included in the table above.

The table below shows the contributions (additions to the plan) attributable to each individual Executive Board member and the corresponding present values. >> TABLE 009

The total remuneration paid to former members of the Executive Board in 2013 amounted to €207,561 (2012: €165,396). Provisions for defined benefit obligations to former members of the Executive Board or their surviving dependants amounting to €5,171,114 (2012: €3,635,970) were recognised in accordance with IAS 19.

In the year under review, no advances were made to members of the Executive Board, and no loans were granted.

Pensions >> TABLE 009

	2013 service cost	2012 service cost	Present value (DBO) 31 Dec 2013	Present value (DBO) 31 Dec 2012
Gordon Riske	€422,727	€299,605	€3,180,565	€2,225,444
Bert-Jan Knoef	€89,965	€0	€1,642,647	€0
Theodor Maurer	€56,967	€0	€492,380	€0
Ching Pong Quek	€0	€0	€265,443	€0
Dr Thomas Toepfer	€58,758	€5,714	€341,416	€89,670

SUPERVISORY BOARD REMUNERATION

Remuneration system

The Supervisory Board's remuneration is defined in article 18 of KION GROUP AG's articles of incorporation. Members of the Supervisory Board receive fixed remuneration plus reimbursement of out-of-pocket expenses. The annual remuneration amounts to €45,000 for ordinary members of the Supervisory Board, €75,000 for the deputy chairman of the Supervisory Board and €105,000 for the chairman of the Supervisory Board.

Additional remuneration is paid for being a member or chairman of a committee, although this does not apply in the case of the Nomination Committee or the Mediation Committee pursuant to section 27 (3) German Codetermination Act (MitbestG). The annual remuneration for members of a committee is €8,000, while the chairman of a committee receives double this amount.

If a member of the Supervisory Board or one of its committees does not hold the position for a full financial year, remuneration is reduced pro rata temporis.

The members of the Supervisory Board receive an attendance fee of €1,250 per day for meetings of the Supervisory Board and its committees, although they only receive this amount once if they attend more than one meeting on the same day.

The Company reimburses each member for any VAT incurred in connection with his remuneration.

A D&O insurance policy without an excess has been taken out for the members of the Supervisory Board.

Remuneration paid to members of the Supervisory Board in 2013

The total remuneration paid to Supervisory Board members for 2013, including the remuneration paid for the period when they were members of the Supervisory Board of KION Holding 1 GmbH, was €1,207,018. Excluding the remuneration for the period in which they were members of the Supervisory Board of KION Holding 1 GmbH, i.e. for the period since the effective date of the change of legal form on 4 June 2013 only, the total remuneration paid to the Supervisory Board members for 2013 was €745,826. Of this amount, €649,703 was attributable to remuneration for activities carried out by the Supervisory Board. The remuneration paid for committee work totalled €96,123. The table below shows the remuneration paid to each Supervisory Board member for 2013, including the remuneration paid for the period when they were members of the Supervisory Board of KION Holding 1 GmbH. >> TABLE 010

In 2013, no company in the KION Group paid or granted any remuneration or other benefits to members of the Supervisory Board for services provided as individuals, such as consulting or brokerage activities. No advances or loans were granted to members of the Supervisory Board either.

Supervisory Board remuneration >> TABLE 010

	Fixed remuneration	Committee remuneration	Attendance fees	Total remuneration
Dr John Feldmann (Chairman)	€102,356	€14,710	€48,493	€165,559
Joachim Hartig (Deputy Chairman)	€74,188	€5,503	€46,117	€125,808
Holger Brandt	€38,671		€23,500	€62,171
Dr Alexander Dibelius	€46,019	€5,503	€31,240	€82,762
Denis Heljic	€29,783	€4,903	€10,413	€45,099
Dr Martin Hintze	–	–	–	–
Johannes P. Huth	€56,578	€1,539	€21,220	€79,338
Thilo Kämmerer	€46,019	€5,503	€34,215	€85,737
Dr Roland Köstler	€32,522	€3,104	€31,240	€66,865
Jiang Kui	€56,578	€6,029	€26,701	€89,308
Özcan Pancarci	€29,783	–	€8,925	€38,708
Kay Pietsch	€46,019	€10,407	€41,060	€97,485
Hans Peter Ring	€30,810	€9,807	€8,925	€49,542
Alexandra Schädler	€13,351	€2,373	€2,975	€18,699
Silke Scheiber	€56,578	€770	€28.898	€86.246
Tan Xuguang	€37.879	–	€1.829	€39.708
Hans-Peter Weiß	€46,019	–	€27,965	€73,984
Total	**€743,151**	**€70,152**	**€393,715**	**€1,207,018**

Group management report

Fundamentals of the KION Group

PROFILE OF THE KION GROUP

Organisational structure

The KION Group began a new chapter in its history when its parent company, KION GROUP AG, was successfully floated on the stock market on 28 June 2013. The IPO and a number of accompanying measures have resulted in substantial changes to the Group's organisational structure and shareholder structure.

KION Group Holding 1 GmbH, the strategic management holding company of the KION Group, was converted into KION GROUP AG before the IPO. Since then, it has indirectly held all shares in KION Material Handling GmbH (formerly KION GROUP GmbH), the operational parent company of the KION Group.

A total of 17.5 million shares – equating to 17.7 per cent of the share capital – were placed with new investors. Of this number, 17.2 million new shares originated from a capital increase in June 2013, while 0.3 million shares came from the stake held by existing shareholder Superlift Holding S.à r.l., Luxembourg, as an over-allotment option.

KION GROUP AG's IPO was accompanied by two capital increases:

- Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg, acquired 13.7 million new shares immediately before completion of the IPO. This company is a subsidiary of Weichai Power Co. Ltd. (referred to below as Weichai Power), which is a strategic anchor shareholder of KION GROUP AG.
- Also before completion of the IPO, Superlift Holding S.à r.l., Luxembourg, (referred to below as Superlift Holding) acquired 4.0 million shares by way of converting an existing loan into equity and transferring the shares in Superlift Funding. The shareholders of Superlift Holding are investment funds that are advised by group companies of The Goldman Sachs Group, Inc. (Goldman Sachs) and companies that are advised by or affiliated with Kohlberg Kravis Roberts & Co. L.P. (KKR).

As far as the Company is aware, Weichai Power indirectly held a stake of 30.0 per cent, while Superlift Holding held 48.6 per cent as at 31 December 2013. Transactions after the 2013 reporting date caused Superlift Holding's stake to fall to 34.5 per cent and, as far as the Company is aware, Weichai Power's indirect stake to rise to 33.3 per cent (see 'Events after the reporting date' on page 110).

The KION Group's segment structure did not change in the reporting year (see page 73).

Management and control

Corporate governance

The KION Group follows generally accepted standards of sound, responsible corporate governance. The German Corporate Governance Code (DCGK) provides the framework for management and control. As required by section 289a of the German Commercial Code (HGB), the corporate governance standards that the Group applies are set out in the declaration on corporate governance. This declaration also contains the comply-or-explain statement pursuant to section 161 German Stock Corporation Act (AktG), which was issued by the Executive Board and Supervisory Board of KION GROUP AG on 19 December 2013, and the corporate governance report pursuant to section 3.10 of the German Corporate Governance Code, which also provides information about the compliance standards in the Group. The declaration on corporate governance can be viewed and downloaded on the Company's website (kiongroup.com/comply_statement). It also forms part of this annual report.

The essential features of the remuneration system are described in the remuneration report, which is part of the 2013 group management report and can be found on pages 57 to 65 of the annual report. The total amounts for Executive Board remuneration and Supervisory Board remuneration are reported in the notes to the consolidated financial statements (note [43]).

Disclosures relevant to acquisitions

The disclosures relevant to acquisitions (pursuant to section 315 (4) HGB) together with the explanatory report form an integral part of the group management report and can be found on pages 53 to 56 of the annual report.

Executive Board

Since 4 June 2013, the Executive Board of KION GROUP AG has been responsible for the operational management of the KION Group and is the successor to the Executive Board of the former KION GROUP GmbH. As at 31 December 2013, the responsibilities of the Executive Board members were allocated as follows:

Gordon Riske, Chief Executive Officer (CEO), is responsible, among other things, for the strategic management of the Group, communications, governance and compliance, internal audit, KION Warehouse Systems and the North and South America regions.

Dr Thomas Toepfer, Chief Financial Officer (CFO), is in charge of finance, the Financial Services (FS) segment, IT activities, mergers & acquisitions, investor relations, purchasing, human resources, legal affairs and data protection. He is also the Company's Labour Relations Director.

Bert-Jan Knoef is CEO and Labour Relations Director of the brand company STILL GmbH. He oversees all cross-brand logistics activities and manages the intra-group logistics service provider, Urban.

Theodor Maurer is CEO and Labour Relations Director of the brand company Linde Material Handling GmbH and holds cross-brand responsibility for quality, facility management, health, safety and the environment.

Ching Pong Quek is Chief Asia Pacific Officer and heads up the KION Group's entire Asia business.

Until his departure on 11 January 2013, Klaus Hofer was responsible for human resources, legal affairs, health & safety and internal audit. He was also the KION Group's Labour Relations Director. His responsibilities were transferred to Gordon Riske, Dr Thomas Toepfer and Theodor Maurer.

The Executive Board maintains a relationship of trust with, and is monitored by, the Company's Supervisory Board.

Supervisory Board

The Supervisory Board, which was formed in accordance with the German Codetermination Act (MitbestG), was increased from twelve members to 16 members when the legal form of the Company was changed in advance of the IPO. On 5 June 2013, Hans Peter Ring and Tan Xuguang were elected as shareholder representatives. Hans Peter Ring qualifies as both an independent member within the meaning of clause 5.4.2 of the German Corporate Governance Code and as an independent member with expertise in the fields of accounting and auditing as required by section 100 (5) AktG. Denis Heljic and Özcan Pancarci were appointed as additional members representing the Company's employees. Alexandra Schädler has been an employee representative since 2 October 2013. She replaced Dr Roland Köstler, who stepped down from the Supervisory Board on 1 October 2013. The composition of the Supervisory Board is presented in note [44] in the notes to the consolidated financial statements.

The Supervisory Board advises the Executive Board in its handling of significant matters and business transactions. In order to increase efficiency and meet the standards required for a publicly listed company, the Supervisory Board reformulated its committees at the end of May 2013. Consequently, the Mediation Committee pursuant to section 27 (3) MitbestG and the Audit Committee, which were already in existence, have been supplemented by the Nomination Committee and the Executive Committee. When the new members were appointed to the committees on 27 June 2013, Hans Peter Ring took over as chairman of the Audit Committee.

Before the IPO, the Supervisory Board signed new contracts of employment with all Executive Board members. At the same time, the term of CEO Gordon Riske's new contract was extended until 2017.

Business model

The KION Group has an integrated business model that incorporates products and services and covers every step of the value chain so that it can offer comprehensive support to customers worldwide: product development, manufacturing, sales and logistics, spare parts business, truck rental and used trucks, financial services and system and software solutions.

The KION Group earns most of its consolidated revenue from the sale of industrial trucks. In the reporting year, new products accounted for 56.1 per cent of the Group's revenue, while the stable and profitable service business generated 43.9 per cent.

The KION Group operates a multi-brand strategy involving the three global brands Linde, STILL and Baoli plus the three regional brands Fenwick, OM STILL and Voltas MH.

Worldwide research and development activities (R&D) enable the KION Group to consolidate and extend its technology leadership. The Company plays a pioneering role in hydrostatic and diesel-electric drive systems and in innovative energy-efficient and low-emission drive technologies (electric drives, hybrid drives, fuel cells). As at the end of 2013, the KION Group employed a total of 944 developers, of whom 232 worked in Asia. Development costs corresponded to 2.5 per cent of consolidated revenue in the year under review, putting the KION Group above the industry average. The focus of the Group's R&D activities is described on page 105.

The KION Group offers customers tailor-made solutions and only makes trucks specifically to order. A large proportion of new trucks are fitted with technical components developed especially for a particular order. The Linde and STILL brands' premium positioning is underpinned by advantages for customers in terms of total cost of ownership (TCO). The trucks' hallmarks are cost-efficiency, high productivity, comparatively low maintenance and high residual values.

New truck sales increase the installed base in the market, providing a basis for service business (spare parts, maintenance and repairs) within the KION Group's integrated business model. The brand companies also have extensive used truck and rental truck businesses.

New truck business is supported by financial services in many markets. The KION Group has therefore integrated its financial services offering into the truck sales process. In the main sales markets with a high volume of financing and leasing, financial services are handled by legally independent financial services companies. Their activities include the internal financing of the brand companies' short-term rental fleets and long-term leasing to customers.

Many financing agreements are linked to service contracts. Financial services are therefore a further cornerstone of the service business within the integrated business model.

In the reporting year, approximately 50 per cent of revenue from new trucks involved some form of financing via KION companies, external banks or dealers.

An installed base of some 1.2 million trucks worldwide enables the KION Group to run a high-margin service business. The service business strengthens customer relationships and therefore contributes to new truck sales.

This requires an extensive global sales and service network. The KION brand companies have more than 1,200 outlets staffed by almost 13,000 service employees in over 100 countries worldwide. Approximately half of them are employed by the KION Group. In other cases, the Company relies on external dealers.

In established markets, services are often provided in the context of leasing arrangements and are agreed over the entire term of the lease. There are also individual orders for repairs and maintenance work as well as for spare parts.

In addition, the KION Group looks after entire customer fleets, using special fleet management software to monitor the trucks in the fleets.

In the year under review, 26.1 per cent of consolidated revenue was attributable to services in connection with maintenance, repairs, fleet management and spare parts.

The service business is complemented by rental truck and used truck business, allowing peaks in capacity requirements to be met and customers to be supported after their leases have expired. Trucks can be rented on a flexible, short-term basis, for example. This business is integrated into the LMH and STILL segments in terms of its operations and is financed internally by Financial Services.

Once a lease has expired, the truck is serviced at a reconditioning centre before being sold as a used truck.

Market and influencing factors

Industrial trucks are deployed for a wide variety of applications. Material handling products are used for tasks such as loading and unloading, linking production steps and moving pallets in logistics centres or in retail / wholesale operations. They therefore form part of the production processes and supply chains of many different industries around the world.

Measured in terms of unit sales of new trucks, the growth of the market for industrial trucks has exceeded global economic growth over the past ten years (2003-2013), rising at an average of around 5.0 per cent per year. In the KION Group's view, the significant influencing factors for this market growth are as follows:

- Industrialisation in China and other emerging markets is fuelling capital expenditure. The need for new infrastructure supports economic growth and is creating disproportionately strong demand for inexpensive industrial trucks.
- As globalisation gathers pace, the value chain is becoming increasingly segmented and additional transport services are required between the individual steps of the value chain.
- Companies are becoming more specialised and focusing on their core competences, leading to the fragmentation of supply chains. The growth of internet-based commerce is making the logistics processes for consumer products more segmented and more complex. Both of these factors push up demand for transport services.
- The large number of trucks in use in mature markets provides a strong base for replacement business. The KION Group estimates that around 90.0 per cent of sales in western Europe are currently accounted for by replacement investments.
- Measured in terms of units ordered, around 46.0 per cent of the global market was attributable to counterbalance trucks with an internal combustion engine in 2013. Counterbalance trucks with an electric drive accounted for around 16.0 per cent and warehouse technology for 38.0 per cent. In western Europe and other highly developed economies, counterbalance trucks with an electric motor and warehouse technology make up the bulk of the market volume, whereas the focus in China and other emerging markets is frequently on simple counterbalance trucks with an internal combustion engine.

  The products in the premium price segment, which is the KION Group's main area of activity, are characterised by an above-average useful life, high productivity, comfort and high performance, combined with lower running and energy costs. According to the KION Group's estimates, this segment accounts for roughly one in four new trucks, with a higher proportion in developed markets. Measured in terms of the number of units ordered, the middle price segment (value) is almost twice as big. The economy price segment, which is particularly important in emerging markets, accounts for around a quarter of the global market.

  As a result of the KION Group's global presence and integrated business model, its financial situation is influenced not only by economic conditions but also by exchange rates and changes in commodity prices.

Market position

The KION Group is one of the world's leading manufacturers of industrial trucks. Measured in terms of units sold, it consolidated its position as the number one in Europe and the number two worldwide in the year under review. Based on the sales figures for 2013, the KION Group's market share was 14.1 per cent worldwide and 35.3 per cent in western Europe. The KION Group is ranked third in China behind two domestic manufacturers, making it the largest foreign producer. It is one of the leading manufacturers in Brazil – the largest individual market in South America – and is the market leader for electric forklift trucks and warehouse trucks. The Company is also among the leading providers in eastern Europe and India.

The product portfolio includes counterbalance trucks powered by an internal combustion engine or electric drive, warehouse technology (ride-on and hand-operated industrial trucks) and towing vehicles for industrial applications. It covers all load capacities, from 1 tonne to 18.0 tonnes.

Revenue from the high-margin service business stabilises consolidated revenue and reduces dependency on market cycles. The KION Group makes use of its own sales and service network and, in some countries, draws on the services of external dealers.

The industrial trucks are manufactured in strategically favourable locations within the global network. Owing to the particular requirements of its business, the KION Group manufactures major components itself – notably lift masts, axles, counterweights and safety equipment – in order to ensure security of supply and the availability of spare parts for critical components. Other components – such as electronic components, rechargeable batteries, engine components and industrial tyres – are purchased through the KION Group's global procurement organisation. Long-term supply agreements for hydraulic components have also been signed with Weichai Power and its controlling interest Linde Hydraulics GmbH & Co. KG (referred to below as Linde Hydraulics), in which the KION Group holds a 30.0 per cent stake as a strategic investment. The KION Group operates a total of 14 production facilities in eight countries. >> TABLE 011

Production sites of the KION Group *>> TABLE 011*

Location	Products / use
Linde Material Handling	
Germany	
Aschaffenburg	Counterbalance trucks with IC engine or electric drive, warehouse technology
Weilbach	Component production
Kahl	Spare parts warehouse, component production
France	
Châtellerault	Warehouse technology
Czech Republic	
Český Krumlov	Component production
United States	
Summerville	Counterbalance trucks with IC engine or electric drive, warehouse technology
China	
Xiamen	Counterbalance trucks with IC engine or electric drive, container handlers and extra heavy-duty trucks, warehouse technology
Jingjiang	Counterbalance trucks with IC engine or electric drive, warehouse technology
STILL	
Germany	
Hamburg	Counterbalance trucks with IC engine or electric drive, warehouse technology, components
Reutlingen	Very narrow aisle trucks
Geisa	Component production
Italy	
Luzzara	Warehouse technology
Brazil	
Indaiatuba / São Paulo	Counterbalance trucks with IC engine, warehouse technology
Other (Voltas MH)	
India	
Pune	Counterbalance trucks with IC engine or electric drive, warehouse technology

The segments and their products and services

The KION Group is represented in the market by three global brands – Linde, STILL and Baoli – and three regional brands: Fenwick (France), OM STILL (Italy) and Voltas MH (India). While the brand companies have full operational and commercial responsibility within their markets, KION GROUP AG is the strategic management holding company and is responsible for the groupwide strategy and groupwide business standards. >> TABLE 012

For internal management purposes, the KION Group has divided its business into operating segments that correspond to the reportable segments, as required by international financial reporting standards (IFRS 8).

Segments 2013*

>> TABLE 012

	Revenue		Adjusted EBIT[1]		Employees[2]	
in € million	2013	2012	2013	2012	2013	2012
LMH	2,881.1	2,965.4	309.1	301.0	13,776	13,148
STILL	1,717.5	1,676.6	123.9	122.2	7,704	7,253
Financial Services	539.4	509.3	0.7	1.4	118	112
Other	235.1	250.9	73.5	44.4	675	702
Consolidation / reconciliation	–878.5	–842.4	–90.6	–60.6	–	–
Total	**4,494.6**	**4,559.8**	**416.5**	**408.3**	**22,273**	**21,215**

* Key figures for 2012 were adjusted due to the retrospective application of IAS 19R (2011); Revenue and Adjusted EBIT were aligned due to the sale of the Hydraulics Business
1 Adjusted for KION acquisition items and one-off items
2 Number of employees in full-time equivalents as at 31 December

Linde Material Handling (LMH) segment

The Linde Material Handling (LMH) segment encompasses the Linde, Fenwick and Baoli brands.

Linde is a global premium brand and a technology leader. Among its other selling points, it has decades of experience with hydrostatic drive technology and meets customers' highest requirements regarding technology, efficiency, functionality and design. The product portfolio ranges from warehouse trucks to extra heavy-duty trucks and caters to all of the major application areas. Linde has been developing and manufacturing electric drive systems for decades and makes the resulting expertise available to external customers for use in a variety of applications.

In France, Linde products are sold under the Fenwick brand.

The Baoli brand covers the value and economy segments in China and other growth markets in Asia, eastern Europe, the Middle East, Africa and Central and South America.

STILL segment

The STILL and OM STILL brands are grouped in the STILL segment. STILL is predominantly a global premium provider of trucks with electric and diesel-electric drives. It mainly focuses on the European and Latin American markets.

The segment's portfolio consists of forklift trucks and warehouse trucks plus associated services. STILL has also positioned itself as a leading provider of intelligent intralogistics solutions, offering trucks and fully integrated warehouse systems, including automation and fleet management solutions.

Financial Services (FS) segment

The purpose of the Financial Services (FS) segment is to act as an internal funding partner for LMH and STILL, providing finance solutions that promote sales. FS activities include the internal financing of the short-term rental business of the LMH and STILL operating segments, the financing of long-term leasing business for external customers of the KION Group and the related risk management. In the large sales markets with a high volume of financing and leasing, this business is handled by legally independent FS companies.

When long-term leasing business is being conducted, FS itself acts as the contractual partner to external customers and offers various financing models.

Operational responsibility for the short-term rental business (short-term fleet) lies with the LMH and STILL brand segments. FS acts as the contractual partner to the brand segments, providing the financing for this short-term fleet. FS refinances both long-term leasing with end customers and the short-term fleet mostly on the basis of sale and leaseback agreements.

In addition, the bulk of sales financing for external customers is offered indirectly, with an external leasing company to which the business is referred by the KION Group acting as lessor rather than the KION Group. The financial services provider purchases the truck from the KION Group and provides the finance to the end customer. The KION Group carries out the majority of the servicing for the truck and, once the financing has expired, assists with its reconditioning and remarketing.

Other segment

The Other segment mainly comprises holding companies and service companies, the latter providing cross-segment services such as IT and logistics. The Indian subsidiary Voltas Material Handling Pvt. Ltd. (referred to below as Voltas MH) also belongs to this segment. Voltas MH manufactures diesel trucks and electric forklift trucks as well as warehouse trucks for the Indian market. It has a network of more than 50 dealers providing sales and service.

STRATEGY OF THE KION GROUP

The KION Group's strategy is centred on international growth and strong profitability. The aim is to seize the opportunities presented by the attractive conditions in the global material handling market and to comprehensively and sustainably harness them for the benefit of shareholders while managing risk at all times. Building on their leading position in western Europe and in the premium price segment, the companies of the KION Group want to increase their market share in the core markets and in fast-growing markets outside western Europe in future. This is accompanied by a greater presence in the value and economy price segments. The crucial requirement is that they offer superior customer benefits in all regions and price segments. That is why the KION Group is securing its position as a leading technology provider by investing heavily in research and development. It operates cost-efficiently throughout the value chain and applies its solid service model as a global benchmark.

Growth-oriented strategy

1. Continue to strengthen the KION Group's leading position in western European core markets by investing in research and development

The KION Group is consolidating its position as the number one in Europe's industrial truck market with customer-focused technological innovations and a high proportion of trucks with customer-specific equipment. In recent years, the proportion of revenue spent on research and development has been above the industry average and stood at 2.5 per cent in the year under review. The KION Group aims to increase customer benefits in all price segments by introducing innovative drive systems, advanced ergonomics, intelligent intralogistics solutions and more.

2. Expand the range of services in European markets and in growth regions

The KION Group is continually extending its portfolio of services and improving their quality at every stage of the product lifecycle. This includes servicing, maintenance and spare parts as well as fleet management solutions, intralogistics processes, efficient supply chains and IT systems. Financial services are also a key component of the service portfolio. The KION Group has an installed base of around 1.2 million trucks from which to expand its service business. The Company also intends to increase its market share by, for example, opening additional service outlets in attractive growth markets and stepping up the short-term rental business. It is expanding its service business in the major sales region of China, where service revenue has more than doubled since 2008 and now accounts for about a quarter of total revenue in China. The target is for service business to continue to contribute approximately 40.0 per cent of revenue over the next few years. This will stabilise business performance, reduce susceptibility to economic downturns and boost profitability.

3. Harness the full market potential of growth regions

The KION Group wants to take full advantage of buoyant demand in the BRIC countries (Brazil, Russia, India, China) and other emerging markets. Another focus is the North American market, which offers comparatively high growth potential. That is why the Company is launching region-specific products in the value and economy segments and strengthening its local production and sales network. To achieve its strategic objectives, the KION Group is making targeted investments in production capacity, product development and the sales and service network. It also continually analyses the market and, if necessary, weighs up whether to acquire other companies. The strategic partnership entered into with Weichai Power has already begun to strengthen the KION Group's position in China and is expected to help in harnessing the potential of other Asian markets, while Voltas MH is opening up access to the Indian volume market.

The range of products and services is tailored to region-specific requirements. To this end, the KION Group operates a multi-brand strategy in the different regions. Region-specific products based on low-cost product platforms are the preferred option in the emerging markets of Asia, Central America and South America, where the Baoli and Voltas MH brand companies play a key role. Other external opportunities for growth are examined on an ongoing basis, including in relation to the sales and service network.

Efficiency-oriented strategy

4. Optimise production and thereby reduce costs

Over the past few years, the KION Group has streamlined its production capacity in developed markets, bringing about improvements to capacity utilisation and cost efficiency. At the same time it has created new capacity in Brazil, India and China. The aim is to continue to monitor the degree of inhouse production as well as to increasingly manufacture trucks locally to serve the emerging markets. The same is happening with product development, particularly for the value and economy price segments. The development site in China, which was expanded again in 2013, is playing a key role here.

5. Leverage groupwide synergies

Although the brand companies in the KION Group are largely responsible for their own market activities, the KION Group harnesses groupwide synergies and uses resources efficiently by centralising certain functions. Central departments are responsible for purchasing, quality and production control, logistics, financial services and IT. This makes it possible to establish best practice across the Group. In product development, a cross-brand, cross-regional modular and platform strategy enables a greater number of common parts, bringing advantages in terms of product costs and development costs yet retaining distinct identities for each brand.

6. Continually improve operational performance and robustness

There are also a number of research and development initiatives aimed at cutting costs, improving quality and speeding up the development process. The KION Group also adapts products to country-specific requirements so that they can be launched successfully in those countries. Over the next few years, it plans to increase its purchasing volume from emerging markets from 26.9 per cent in 2013 to as much as 40.0 per cent. The strategic partnership with Weichai Power will contribute to this significantly.

Processes in all functions are also constantly analysed to identify potential for improvement. STILL, for example, restructured the back office of its regional branches in Scandinavia after conducting such an analysis.

MANAGEMENT SYSTEM

Key performance indicators (KPIs)

The KION Group's strategy, which centres on value and growth, is reflected in how the Company is managed. It uses four main key performance indicators (KPIs) to continuously monitor market success, profitability, financial strength and liquidity. The performance targets of the Group and the segments are based on selected financial KPIs, as is the performance-related remuneration paid to managers. Each month, the KPIs are measured and made available to the Executive Board in a comprehensive report. This enables the management team to take prompt corrective action in the event of discrepancies. >> TABLE 013

Key performance indicators *>> TABLE 013*

in € million	Order intake	Revenue	Adjusted EBIT[1]	Free cashflow
2013	**4,489.1**	**4,494.6**	**416.5**	**202.6**
2012 *	4,590.3	4,559.8	408.3	518.1
2012	4,700.1	4,726.7	438.2	518.1
2011	4,681.9	4,368.4	364.6	234.2

* Key figures for 2012 were adjusted due to the retrospective application of IAS 19R (2011); Order intake, Revenue and Adjusted EBIT were aligned due to the sale of the Hydraulics Business
1 Adjusted for KION acquisition items and one-off items

KPIs related to business volume

Order intake and **revenue** are broken down by region, segment and product category in the KION Group's management reporting so that growth drivers and pertinent trends can be identified and analysed at an early stage. Order intake is a leading indicator for revenue. The length of time between receipt and invoicing of an order varies between business units and product groups.

Earnings-related KPI

Adjusted EBIT: The key figure used for the operational management and analysis of financial performance is adjusted earnings before interest and tax (EBIT). It is calculated in the same way as EBIT, except that it does not take account of the KION Group purchase price allocation or any non-recurring items.

Liquidity-related KPI

Free cash flow: Free cash flow is the main KPI for managing leverage and liquidity. It is determined by the KION Group's operating activities and investing activities. Free cash flow does not include interest arising from financing activities. The performance measurement of free cash flow is supported by the carefully targeted management of working capital and by detailed planning of capital expenditure.

Besides the aforementioned core KPIs, the KION Group uses additional financial and non-financial KPIs. Net debt is now becoming less important than the other financial KPIs because the Group's financial position improved substantially in the year under review. The non-financial KPIs essentially relate to customers, employees, sustainability and technology. Some of them are used operationally as leading indicators for the financial KPIs.

The KPIs used to manage the brand segments are order intake, revenue and adjusted EBIT. Earnings before tax (EBT) and return on equity (ROE) are the KPIs used to manage the Financial Services segment.

Financial report

MACROECONOMIC AND SECTOR-SPECIFIC CONDITIONS

Macroeconomic conditions

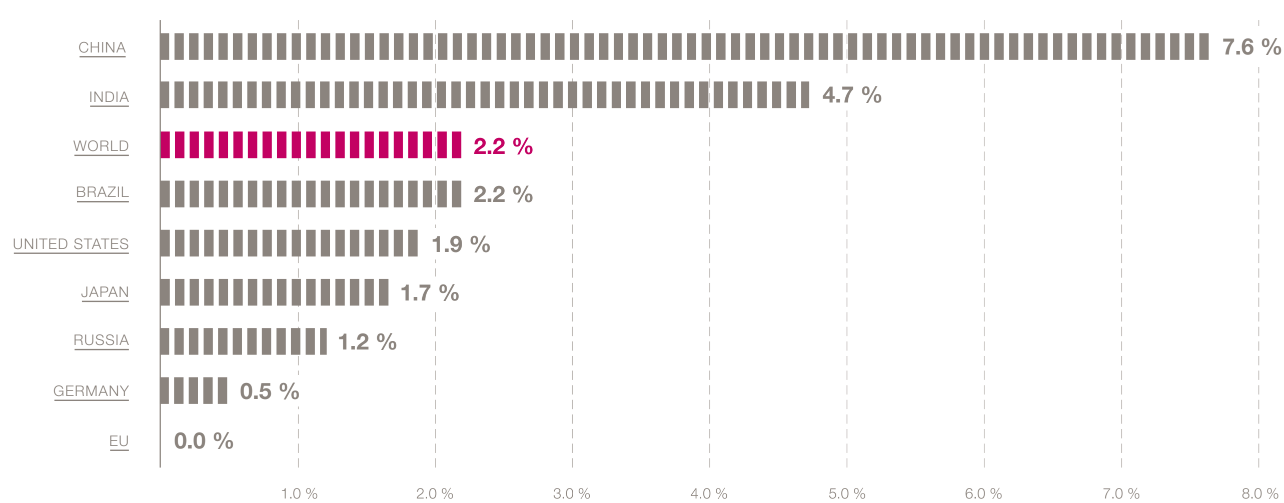
The global economy grew by 2.2 per cent in 2013. This was slightly less than in the previous year, which was due, above all, to a slower rate of growth in many emerging markets. Although the mood in Europe and the United States brightened considerably in the second half of the year, global economic growth was sluggish.

Economic performance in the European Union stabilised over the course of 2013. Despite contracting significantly in the first quarter, gross domestic product (GDP) over the year as a whole reached the same level as in 2012. Germany and the United Kingdom were the main drivers of the recovery in western Europe during the year. However, negative growth rates in Italy and Spain and increasing problems in France demonstrate that the eurozone has not yet emerged from the crisis. This also held back growth in neighbouring countries. Many eastern European countries, including Russia, achieved lower rates of growth than in 2012.

Among the Asian emerging markets, China registered growth at almost the same level as in the previous year and quickly overcame a short-lived period of economic weakness. Other Asian countries, including Indonesia and Thailand, generated weaker growth than in 2012. Brazil continued along its upward trajectory, although the pace of growth was slower. Despite muted growth, emerging markets remained the economic powerhouses of the global economy with gains of 4.5 per cent. >> DIAGRAM 003

Demand for industrial trucks is largely driven by investment confidence and world trade volumes as well as GDP growth. Like GDP, worldwide spending on capital equipment increased only cautiously as ongoing uncertainty about growth prospects have continued to dampen companies' willingness to invest, particularly in the eurozone. Global trade in 2013 was once again well behind the medium-term trend.

Gross domestic product in 2013 – real year-on-year change >> DIAGRAM 003



Source: Oxford Economics (as at 17 January 2014)

Sectoral conditions

Sales markets

Measured in terms of the number of new trucks ordered, the global market for industrial trucks expanded by 6.9 per cent in 2013, exceeding the threshold of one million trucks for the first time. The market therefore more than made up for the decline of 3.1 per cent in the previous year, despite subdued macroeconomic conditions. Diesel trucks (up by 8.0 per cent) and warehouse technology products (up by 7.1 per cent) grew at a similarly high rate, whereas growth in electric forklift trucks (up by 3.6 per cent) was more muted.

The bulk of the unit increase (47.6 per cent) was accounted for by the Chinese market, which generated growth of 14.4 per cent. The KION Group estimates that the main beneficiaries of this growth were the value and economy price segments, predominantly diesel trucks. North America also made a substantial contribution to the global market's recovery, registering growth of 10.9 per cent.

Growth rates in the KION Group's main sales markets varied in 2013. Western Europe, which had seen a decline of 7.1 per cent in 2012, remained flat in 2013 with growth of just 0.3 per cent – despite stabilisation and a slight recovery towards the end of the year. The main reason for this was the marked weakness of the market in Germany, which experienced a 4.3 per cent decline in the number of trucks ordered, above all due to declining demand in the first half of the year. However, the markets in France, Italy and the United Kingdom were largely stable. Eastern Europe grew by a substantial 7.8 per cent, although the biggest individual market, Russia, was unable to maintain its pace from the previous year and recorded growth of just 0.7 per cent. China generated double-digit growth, picking up pace as the year progressed, while the other Asian emerging markets grew at comparatively moderate rates. By contrast, the material handling market in Brazil – the largest individual market in South America – enjoyed a boom although it partly stemmed from special government programmes designed to boost investment. Measured in terms of the number of trucks, order intake grew by about a third in Brazil. >> *TABLE 014*

Global industrial truck market (order intake) >> *TABLE 014*

in thousand units	2013	2012	Change
Western Europe	259.4	258.7	0.3 %
Eastern Europe	58.0	53.8	7.8 %
North America	201.0	181.2	10.9 %
Central & South America	52.3	48.6	7.5 %
Asia (excl. Japan)	327.0	292.2	11.9 %
Rest of world	114.5	112.2	2.0 %
World	**1,012.2**	**946.7**	**6.9 %**

Source: WITS/FEM

Procurement markets

Commodity prices continue to have a direct impact on around a quarter of the cost of the materials needed to manufacture an industrial truck in the KION Group.

The average price over the year for steel, the most important commodity, fell significantly compared with 2012 owing to weaker economic conditions. Prices for lead-acid batteries, which make up a significant proportion of the total price of electric trucks, are particularly dependent on lead prices on the metal exchanges. However, these price fluctuations are borne by customers owing to the way in which contracts are formulated. Manufacturing costs are also influenced to a slight extent by the prices for copper and rubber, which were also down year on year.

Energy prices were slightly lower in 2013 than they had been in the previous year. The price of Brent crude oil, which is quoted in US dollars and affects the price of other fuels and plastic, went up considerably during 2013 owing to the crisis in Syria, although the average price over the year was 5.8 per cent below the price for the previous year.

Financial markets

The KION Group bills the bulk of its revenue in euros; the proportion was 62.8 per cent in 2013 (2012: 65.5 per cent). The remainder is billed in foreign currencies, notably the Chinese renminbi, pound sterling and the Brazilian real. China's renminbi proved comparatively stable over the year. Pound sterling depreciated against the euro, with the average price for the year down by 4.7 per cent compared with 2012. Despite various market interventions by the Brazilian central bank, the value of the real fell by a considerable 14.3 per cent. Overall, currency effects had a negative impact on the KION Group's order intake and revenue. Excluding currency effects, consolidated revenue would have been €74.8 million or 1.7 per cent higher and order intake would have been €73.8 million or 1.6 per cent higher.
>> TABLE 015

Currencies *>> TABLE 015*

Average rate per Euro	2013	2012
Australia (AUD)	1.38	1.24
Brazil (BRL)	2.87	2.51
Switzerland (CHF)	1.23	1.21
China (CNY)	8.17	8.11
United Kingdom (GBP)	0.85	0.81
Russia (RUB)	42.33	39.92
U.S.A. (USD)	1.33	1.29

Source: Reuters

Regulatory situation

The products and services of companies in the KION Group have to comply with specific legal requirements in their respective markets. Compliance with the different requirements has to be verified or certified. Many of the legal requirements are enshrined in product-specific and other standards (e.g. EN, ISO and DIN).

The tightening of emissions standards is not only taking place in developed markets, it is also increasingly observable in emerging markets such as China. This trend benefits the KION Group with its high-tech products.

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

BUSINESS PERFORMANCE

IPO

KION GROUP AG's IPO and the accompanying capital increases have greatly improved the KION Group's financial situation and increased its financial flexibility. The Group used the proceeds to significantly reduce its net financial debt and create a basis from which to drive forward its successful policy of global expansion. Details can be found in the 'Financial position' section (see page 94).

As a result of the IPO and the subsequent reduction in financial debt, there was a significant improvement in the KION Group's credit profile, and consequently in its credit rating. Rating agency Moody's upgraded its corporate family rating by three notches, from B3/positive to Ba3/stable, while Standard & Poor's improved its rating for the KION Group from B/stable to BB-/positive. As a result, the KION Group will be able to obtain funding on the bond market on better terms in future.

Key strategic measures in 2013

The KION Group boosted its sales organisation in the European market in the year under review by acquiring four companies.

In Germany, Linde Material Handling increased its stake in Willenbrock Fördertechnik Holding GmbH – an exclusive dealer focusing on the Bremen and Hannover sales regions – from 23.0 per cent to 74.0 per cent at the end of 2013. This transaction was part of the succession planning for a founding shareholder who was leaving Willenbrock. As yet unaudited figures show that the company employed more than 500 people and generated revenue of around €165.0 million in 2013.

In Turkey, STILL acquired 51.0 per cent of the shares in Arser İş Makineleri Servis ve Ticaret A.Ş. (referred to below as Arser) in August. The company was already the exclusive dealer for the substantial Turkish market – a major hub for European trade with the Middle East – and will enable the KION Group to step up its business here.

The KION Group has also strengthened its presence in France by purchasing the remaining shares in two dealers. The outstanding 45.7 per cent stake in Bretagne Manutention S.A. (Pacé), a dealer for LMH, was acquired on 23 July 2013, followed on 11 September 2013 by the outstanding stake of 49.9 per cent in Manusom SAS (Rivery), which sells STILL products.

Within the production organisation, LMH's container handler and heavy truck business was restructured. Product rights and other assets from the container handler division were sold to Konecranes, a global market leader in the lifting business. Since then, Konecranes has been a long-term supplier of container handlers for Linde Material Handling's global distribution network. The alliance is improving efficiency in research and development and will enable LMH to continue to offer a broad range of reach stackers and container handlers. LMH's extra heavy-duty truck plant in Merthyr Tydfil (Wales, UK) was closed in October 2013, with the bulk of production initially transferring to a contract plant in the Czech Republic. The Czech plant reached full production volume, with the customary high level of quality and security of supply, in the fourth quarter. The restructuring is enabling the KION Group to make further efficiency gains in the European production network. In the medium term, extra heavy-duty truck production is to transfer to China.

In Brazil, KION South America officially opened its new plant in Indaiatuba (São Paulo) in March 2013. This has doubled production capacity in Brazil, the largest individual market in South America; capacity utilisation was good. By pooling production in São Paulo and stepping up cross-brand cooperation, the KION Group can leverage synergies and respond faster to customer requirements. At the same time, KION South America works closely with the Chinese KION brand Baoli (Jiangsu) Forklift Co., Ltd., whose truck platform is used to meet South American demand and is fitted with local components. The increase in production capacity was accompanied by expansion of the sales organisation.

The joint venture JULI Motorenwerk s.r.o., in which LMH and STILL together hold 50.0 per cent of shares, has established a production facility for electric motors in China in order to achieve faster penetration of the Chinese market, particularly in the value and economy segments. The start-up phase was a success. This will make it possible to fit locally built motors into electric forklift trucks and warehouse trucks from 2014.

FINANCIAL POSITION AND FINANCIAL PERFORMANCE

Overall assessment of the economic situation

The KION Group can look back on a very solid 2013. Despite challenging economic conditions, particularly in western Europe, and customers' marked reluctance to invest during the first nine months of the year, the Group maintained its strong market position over the year as a whole. Global market share amounted to 14.1 per cent, with a slight increase for the service business. The KION Group therefore again proved that its business model is robust, even in a challenging economic climate. Owing to currency effects, revenue was slightly lower than in 2012 (excluding the hydraulics business). The target of a year-on-year increase for the adjusted EBIT margin was achieved, despite the difficult market conditions. The margin's rise from 9.0 per cent in 2012 (excluding the hydraulics business) to 9.3 per cent in 2013 can be attributed, above all, to an optimised cost structure and the ability to command higher prices. The more flexible cost structure achieved to date gives the KION Group a significant competitive edge. Nonetheless, the Group invested in its future growth in the reporting year. Spending on research and development equated to 2.5 per cent of revenue, which was once again higher than the industry average.

The net income generated of €138.4 million was very encouraging. Free cash flow stood at €202.6 million. The successful steps to reduce debt, which had been initiated in late 2012, and the full repayment of the acquisition finance after the IPO, combined with cheaper funding under the new credit facility, quickly resulted in a marked reduction in interest cost in 2013. A vastly improved funding structure provides greater flexibility for generating profitable growth in the future.

Business situation and financial performance of the KION Group

Key influencing factors

The sale of Linde Material Handling's hydraulics business in December 2012 means that the key figures for the LMH segment and for the KION Group are not fully comparable with the key figures from the previous year. For this reason, the revenue, order intake and the profit contributions of the hydraulics business have been excluded from adjusted EBIT and adjusted EBITDA. The adjustments were made on the basis of the financial results for the hydraulics business that were reported as part of the LMH segment in 2012.

The first-time adoption of new financial reporting standards (see the notes to the consolidated financial statements) did not have a major impact on the financial performance or financial position of the KION Group. Because the rules governing transition to the new IAS 19R 'Employee Benefits' require it to be adopted retrospectively, the prior-year figures have been restated. The profit-and-loss transfer agreement concluded between KION Material Handling GmbH and Linde Material Handling GmbH in April 2013 led to a sharp increase in deferred tax assets in the reporting year.

Level of orders

The number of trucks ordered rose moderately in 2013. However, the KION Group was unable to keep up with the pace of growth in the sector globally. The main reason for this was that western European markets remain crucial to the Group's new orders. This meant that the Group was particularly affected by continued weak demand in Germany and western Europe in the first nine months of the year. Outside western Europe, the number of trucks ordered went up by 6.9 per cent and the KION Group was therefore roughly at the average for the global market. It was able to keep pace with the rate of growth in the eastern European market, while in South America it grew at a far faster rate than the market. Order numbers in China were also up significantly. However, the market there, which is dominated by the economy price segment, grew at an even faster rate. Overall, the emerging markets accounted for 35.0 per cent of new orders in 2013 (2012: 32.1 per cent). This was a new record for the KION Group, both in percentage terms and in absolute numbers.

The total value of order intake was €4,489.1 million, just 2.2 per cent short of its value in the corresponding period of the previous year (excluding the hydraulics business). There was a decline in the volume of orders in the Linde Material Handling segment, whereas the STILL segment saw a sharp rise. If exchange rate effects of €73.8 million were eliminated, the KION Group would have been at virtually the same high level as 2012.

The KION Group's global market share was around 14.1 per cent in 2013, 0.9 percentage points less than in 2012. Regional factors played a role here, for example the Group does not have a large presence in the fast-growing North American market. The decline in unit sales of counterbalance trucks also had a negative impact.

Revenue

Revenue totalled €4,494.6 million, down 4.9 per cent year on year (2012: €4,726.7 million). Excluding the hydraulics activities, revenue would have been just 1.4 per cent below the 2012 level. Currency effects of €74.8 million had a negative impact, the main contributing factors being the devaluation of the Brazilian real and pound sterling. Adjusted for these effects, revenue grew by 0.2 per cent on a like-for-like basis.

Revenue by product category

Revenue from new trucks amounted to €2,519.6 million, which was down significantly on the previous year (2012: €2,651.5 million) owing to negative currency and structural effects, among other reasons.

Revenue by product category >> TABLE 016

in € million	2013	2012	Change
New business	2,519.6	2,651.5	–5.0 %
Hydraulics	0.0	167.8	–100.0 %
Service offering	1,975.0	1,907.4	3.5 %
- After sales	1,174.2	1,149.8	2.1 %
- Rental business	443.1	427.6	3.6 %
- Used trucks	226.4	213.0	6.3 %
- Other	131.3	117.0	12.2 %
Total	**4,494.6**	**4,726.7**	**–4.9 %**
Revenue – excluding Hydraulics Business	**4,494.6**	**4,559.8**	**–1.4 %**

Rising unit sales of warehouse trucks were unable to fully offset the decline in counterbalance trucks.

After a subdued start to the year, revenue generated by the service business rose substantially in subsequent quarters and climbed by 3.5 per cent year on year to €1,975.0 million (2012: €1,907.4 million). This largely offset the decline in the new truck business, which was mainly caused by currency effects. The proportion of revenue attributable to the service business grew from 41.8 per cent in 2012 (adjusted for the hydraulics business) to 43.9 per cent. All areas of the service business saw a year-on-year increase. In rental and leasing business, the growth was accounted for by long-term business and fleet management. There was also a rise in demand for after-sales services, with orders placed at short notice and spare parts generating particularly strong growth. The increase confirms the KION Group's view that the postponement of orders for new trucks to replace old ones is pushing up demand for services. The volume of revenue from the used truck business was also higher than in the previous year. >> TABLE 016

Revenue by customer location

Revenue broken down by customer location predominantly reflects the absence of revenue from hydraulics activities in Germany, western Europe, Asia and the United States. Moreover, the declining volume of business in western Europe was primarily attributable to the German market, which did however stabilise again during the second half of the year. The KION Group registered a small rise in revenue in western Europe outside Germany.

In eastern Europe, the KION Group brand companies slightly exceeded the strong level of revenue earned in the previous year. Revenue increased particularly significantly in the Russian market, although the pace of growth tailed off in the second half of the year. There was a year-on-year decline in revenue in Asia: with increasing unit sales in the lower price segment, revenue decreased in the first six months and was not fully offset in the third and fourth quarters. A sharp increase in revenue in Brazil was attributable to the rise in demand for the KION brands' industrial trucks that are tailored specifically to the local market. Expansion of capacity at the Indaiatuba plant to meet the increased demand had a positive impact.

Overall, the proportion of consolidated revenue generated by the KION Group outside Germany climbed from 74.1 per cent in 2012 to 75.2 per cent in 2013. In 2013, 25.3 per cent of consolidated revenue was earned in the fast-growing emerging markets, compared with 24.4 per cent in the previous year. The KION Group therefore moderately reduced its dependency on the western European market again in 2013 thanks to its strategy of growth in the emerging markets. >> TABLE 017

Revenue by customer location >> TABLE 017

in € million	2013	2012	Change
Western Europe	3,223.9	3,363.3	–4.1 %
Eastern Europe	369.7	362.8	1.9 %
Americas	279.4	324.2	–13.8 %
Asia	453.5	485.6	–6.6 %
Rest of world	168.1	190.7	–11.9 %
Total revenue	**4,494.6**	**4,726.7**	**–4.9 %**
Revenue – excluding Hydraulics Business	**4,494.6**	**4,559.8**	**–1.4 %**

Earnings

EBIT and EBITDA

Total earnings before interest and tax (EBIT) amounted to €374.2 million. As expected, this was substantially below EBIT for the previous year (2012: €549.1 million), which had included a net gain from the sale of the hydraulics business of €211.8 million. The 2012 figure had also included the contribution to operating profit of the hydraulics business for the whole year.

A more meaningful comparison is provided by EBIT adjusted for non-recurring items, which went up by 2.0 per cent to €416.5 million (2012: €408.3 million excluding the hydraulics business). Price increases that the KION Group was able to implement thanks to its strong technological and competitive position had a noticeable effect, as did product innovations and a greater proportion of higher-margin trucks with customer-specific equipment. Efficiency increases at production sites and other cost savings also had a beneficial impact. The adjusted EBIT margin therefore improved from 9.0 per cent in 2012 to 9.3 per cent.

Non-recurring items totalled €42.3 million, of which €29.5 million was attributable to KION acquisition items. The remaining amount was accounted for by, among other things, costs for the IPO and accompanying capital increases, which were taken directly to income, follow-up costs in connection with the closure of production sites and expenses related to restructuring. These were partly offset by income of €7.0 million arising from remeasurement of the previous shares in connection with the acquisition of a further 51.0 per cent of the shares in Willenbrock Fördertechnik Holding GmbH. There was further non-recurring income of €8.1 million relating to the hydraulics business that was sold in December 2012, but also purchase-price-related losses for equity-accounted investments. The net income from non-recurring items and KION acquisition items of €112.0 million (or €140.8 million excluding the operating profit of the hydraulics business) in 2012 included the net gain from the sale of the hydraulics business, the income arising from remeasurement of shares and, in particular, depreciation, amortisation and impairment charges and administrative fees in connection with the purchase price allocation. In the previous year, the expense arising from the purchase price allocation had been €41.5 million. >> TABLE 018

EBIT* >> TABLE 018

in € million	2013	2012	Change
Net income	138.4	161.4	–14.2 %
Income taxes	–15.9	–149.5	89.4 %
Financial result	–219.8	–238.2	7.7 %
EBIT	**374.2**	**549.1**	**–31.9 %**
+ Non-recurring items	12.8	–182.2	> 100.0 %
+ KION acquisition items	29.5	41.5	–28.7 %
Adjusted EBIT	**416.5**	**408.3**	**2.0 %**

* Key figures for 2012 were adjusted due to the retrospective application of IAS 19R (2011); Adjusted EBIT were aligned due to the sale of the Hydraulics Business

EBITDA was down by 22.5 per cent year on year at €708.8 million (2012: €914.4 million). Adjusted EBITDA amounted to €721.5 million, which was above the comparable figure for 2012 of €700.5 million (adjusted for the hydraulics business). The adjusted EBITDA margin was 16.1 per cent, compared with 15.4 per cent in the previous year. >> TABLE 019

EBITDA* >> TABLE 019

in € million	2013	2012	Change
EBIT	374.2	549.1	–31.9 %
Amortisation and depreciation	334.6	365.3	–8.4 %
EBITDA	**708.8**	**914.4**	**–22.5 %**
+ Non-recurring items	12.3	–215.0	> 100.0 %
+ KION acquisition items	0.4	1.2	–64.5 %
Adjusted EBITDA	**721.5**	**700.5**	**3.0 %**

* Key figures for 2012 were adjusted due to the retrospective application of IAS 19R (2011); Adjusted EBITDA were aligned due to the sale of the Hydraulics Business

Key influencing factors for earnings

The cost of sales fell by 5.1 per cent to €3,255.2 million (2012: €3,430.8 million). The main reason was the absence of the hydraulics business. Other factors included the cost benefits derived from the successful restructuring of the production sites and the resultant increase in capacity utilisation as well as favourable price movements in the commodity markets. Gross profit came to €1,239.4 million (2012: €1,295.9 million). Consequently, the KION Group was able to slightly improve its gross margin to 27.6 per cent (2012: 27.4 per cent) despite the sale of the high-margin hydraulics business.

Cost-cutting measures introduced at the start of the reporting year also had a positive impact on selling and administrative expenses. The comparative prior-year figures had included the hydraulics business, however. Despite more extensive international business, selling expenses were down by €24.3 million on 2012, while administrative expenses fell by €23.2 million year on year. As a result, the costs of the IPO, which were recognised as administrative expenses, were more than offset by various savings.

As expected, the ‘other’ item of €76.6 million was lower than the previous year’s figure of €253.4 million. The other expenses and other income reported under this item amounted to net income of €75.0 million. This was considerably below the €237.5 million reported in 2012, which had included non-recurring income from the sale of the hydraulics business. In the reporting year, this transaction generated subsequent income of €8.1 million. Other income also included earnings from commission collected, which are not reported under revenue.

The income from companies accounted for under the equity method, which is also reported under 'other', declined from €15.9 million in 2012 to €1.7 million in 2013. The decisive factor for the fall in the share of profit of equity-accounted investments was the pro-rata loss made by Linde Hydraulics of €14.2 million. This loss was partly offset by the remeasurement of the 23.0 per cent stake in Willenbrock Fördertechnik Holding GmbH (which had previously been accounted for under the equity method) when additional shares were acquired to increase the stake to 74.0 per cent in 2013. This resulted in income of €7.0 million. >> TABLE 020

Condensed income statement of the KION Group* >> TABLE 020

in € million	2013	2012	Change
Revenue	4,494.6	4,726.7	–4.9 %
Cost of sales	–3,255.2	–3,430.8	5.1 %
Gross profit	**1,239.4**	**1,295.9**	**–4.4 %**
Selling expenses	–538.2	–562.5	4.3 %
Research and development costs	–113.6	–124.5	8.7 %
Administrative expenses	–290.0	–313.2	7.4 %
Other	76.6	253.4	–69.8 %
Earnings before interest and taxes (EBIT)	**374.2**	**549.1**	**–31.9 %**
Net financial expenses	–219.8	–238.2	7.7 %
Earnings before taxes	**154.3**	**310.9**	**–50.4 %**
Income taxes	–15.9	–149.5	89.4 %
Net income	**138.4**	**161.4**	**–14.2 %**

* Condensed income statement for 2012 was adjusted due to the retrospective application of IAS 19R (2011)

Net financial income / expenses

There was an improvement in the balance of financial income and financial expenses, leading to net financial expenses of €219.8 million (2012: €238.2 million). Nevertheless, the decrease did not fully reflect the vastly improved funding structure and funding conditions. Non-recurring items in connection with the repayment and refinancing of financial debt had a negative impact on net financial income. The repayment of debt as part of the IPO did not lead to an increase in net financial income until the middle of the year. Following repayment in full of the acquisition finance and the early repayment of the floating-rate portion of the 2011/2018 corporate bond (floating rate note, €175.0 million), capitalised borrowing costs of €24.5 million were recognised as an expense. Other finance costs of €18.3 million were attributable to the ending of interest-rate hedges related to the acquisition finance, which was repaid after the IPO. The required remeasurement of the options recognised in connection with the 30.0 per cent equity investment in Linde Hydraulics resulted in additional financial expenses of €14.7 million in the reporting year. Adjusted for these three negative one-off items, net financial expenses amounted to €162.4 million, equating to a significant year-on-year improvement of €75.8 million.

Income taxes

Income taxes of €149.5 million in 2012 contrasted with a far lower tax burden of €15.9 million in the reporting year. The tax rate was therefore 10.3 per cent (2012: 48.1 per cent). Current tax expenses fell to €59.0 million in the reporting year (2012: €122.1 million). The higher prior-year figure was mainly due to the effect of taxable profit from the sale of the hydraulics business. There was also deferred tax income of €43.1 million, compared with deferred tax expenses of €27.4 million in 2012. The main reason for this was the profit-and-loss transfer agreement concluded between KION Material Handling GmbH and Linde Material Handling GmbH in April 2013. In connection with this agreement, deferred tax assets with deferred tax income totalling €41.8 million were recognised on loss carryforwards that it had previously not been possible to utilise. Measurement of the deferred taxes as at the reporting date led to net additional deferred tax income of €1.3 million as a result of other items. Net income after taxes came to €138.4 million (2012: €161.4 million). This represents diluted and basic earnings per share of €1.69 (2012: €2.52). Average pro-forma earnings per share in 2013, based on 98.9 million no-par-value shares, amounted to €1.40.

Appropriation of profit

The Executive Board and Supervisory Board of KION GROUP AG will propose a dividend of €0.35 per share to the Annual General Meeting on 19 May 2014. As there are 98,700,000 dividend-bearing shares, this equates to a total dividend payout of €34.5 million. A total of 25 per cent of the net income accruing to the KION Group shareholders will therefore be distributed in dividends.

Business situation and financial performance of the segments

LMH segment

Business performance and order intake

The Linde Material Handling segment, which comprises the Linde, Fenwick and Baoli brand companies, generated order intake of €2,901.8 million in 2013, defending its number-one market position in Europe and in the Chinese premium segment. However this was 4.1 per cent down on the figure achieved last year of €3,026.1 million (excluding the hydraulics business) due, above all, to the difficult sales situation in Germany and negative currency effects. The increased volume of orders in eastern Europe and Asia only partly offset the decline in the western European market.

During the reporting year, LMH improved its position throughout the value chain by acquiring a majority stake in German dealer Willenbrock Fördertechnik Holding GmbH (see page 82), expanding service capacity and the sales network with Weichai Power in China and restructuring its container handler and heavy truck business (see page 82). The transfer of heavy truck production to a contract plant in the Czech Republic went to plan, and the production site in Wales had largely been shut down by the end of the year. LMH also collaborated successfully with Linde Hydraulics, with which it has a ten-year exclusive supply agreement.

Revenue

Currency effects and difficult market conditions for new truck business meant that the segment's revenue fell by 2.8 per cent to €2,881.1 million (2012: €2,965.4 million excluding the hydraulics business). Introduced at the start of 2013, the EVO models – which are among the lowest-emission counterweight trucks with an internal combustion engine – made a positive contribution to revenue. The same was true of the new generation of reach trucks, which came on the market in March. However, unit sales of diesel-powered trucks and warehouse trucks declined overall, whereas there was a slight gain for electric forklift trucks in nearly every region. There was also stronger demand for used trucks than in 2012. Coupled with the further growth in service and spare-parts business, this offset most of the downturn in new truck business and segment revenue was only slightly below the 2012 level.

Earnings

Adjusted EBIT totalled €309.1 million, which was just up on the adjusted prior-year result of €301.0 million (excluding the hydraulics business). The decline in revenue was offset by the ability to command higher prices and the increase in productivity, including the reduction in fixed costs. The adjusted EBIT margin therefore improved significantly, from 10.2 per cent in 2012 to 10.7 per cent in 2013.

In 2012, EBIT of €522.9 million had included non-recurring gains arising in connection with the sale of the majority of the hydraulics business (€247.0 million) and remeasurement in connection with the acquisition of the outstanding 51.0 per cent of shares in Linde Creighton (€12.6 million).

Adjusted EBITDA in the LMH segment came to €444.5 million (2012: €432.2 million), corresponding to an adjusted EBITDA margin of 15.4 per cent (2012: 14.6 per cent). >> TABLE 021

Key figures – LMH –

>> TABLE 021

in € million	2013	2012	Change
Order intake [1]	2,901.8	3,026.1	–4.1 %
Revenue [1]	2,881.1	2,965.4	–2.8 %
EBITDA	442.1	720.4	–38.6 %
Adjusted EBITDA [1]	444.5	432.2	2.8 %
EBIT	282.4	522.9	–46.0 %
Adjusted EBIT [1]	309.1	301.0	2.7 %
Adjusted EBITDA margin [1]	15.4 %	14.6 %	–
Adjusted EBIT margin [1]	10.7 %	10.2 %	–

1 Key figures for 2012 were adjusted due to the Hydraulics Business

STILL segment

Business performance and order intake

The STILL segment, which comprises the STILL and OM STILL brand companies, performed encouragingly in 2013, increasing the total value of its order intake by 2.6 per cent to €1,692.0 million (2012: €1,648.6 million) despite the negative impact of currency effects. The order volume bucked the trend in the declining German market and remained largely stable, whereas there were decreases in the United Kingdom and Spain. By contrast, Italy and France experienced a strong uptrend. STILL's orders were up significantly in eastern Europe – thanks in part to the expansion of sales in Russia and Turkey – and Brazil, and the segment also gained market share in these regions.

Additions to STILL's product range included a diesel truck in the RX 70 series that has a load capacity of four to eight tonnes. A new series of trucks with internal combustion engines was introduced to cater specifically to the needs of customers in the South American market.

Revenue

Revenue advanced by 2.4 per cent to €1,717.5 million (2012: €1,676.6 million), with gains for both new truck business and service business. The strongest revenue growth was generated in Russia and Brazil, although the devaluation of the Brazilian real eroded some of the gain. Despite the weak market environment, STILL also boosted its revenue in Germany and the rest of Europe due to both volume and price effects.

Earnings

Adjusted EBIT came to €123.9 million, which was just up on the previous year (2012: €122.2 million). The adjusted EBIT margin stood at 7.2 per cent, slightly below the margin of 7.3 per cent in 2012.

Adjusted EBITDA rose to €223.0 million (2012: €217.9 million), while the adjusted EBITDA margin remained unchanged year on year at 13.0 per cent. >> TABLE 022

Key figures – STILL – >> TABLE 022

in € million	2013	2012	Change
Order intake	1,692.0	1,648.6	2.6 %
Revenue	1,717.5	1,676.6	2.4 %
EBITDA	214.4	200.2	7.1 %
Adjusted EBITDA	223.0	217.9	2.3 %
EBIT	109.9	97.7	12.5 %
Adjusted EBIT	123.9	122.2	1.4 %
Adjusted EBITDA margin	13.0 %	13.0 %	–
Adjusted EBIT margin	7.2 %	7.3 %	–

Financial Services (FS) segment

Business performance

As the central funding partner of the LMH and STILL brand segments, the Financial Services (FS) segment benefited from a further increase in demand for lease finance, particularly in Europe outside Germany. Operational responsibility for the short-term rental business (short-term rental fleet) lies with the LMH and STILL brand segments. FS acts as the contractual partner to the brand segments, providing the financing both for long-term leasing and for the short-term rental fleet, mostly on the basis of sale and leaseback agreements.

In 2013, long-term business with external end customers grew at a somewhat stronger rate than finance for the LMH and STILL segments' short-term rental business. The assets of the Financial Services segment had increased to €1,249.4 million as at 31 December 2013 (31 December 2012: €1,039.0 million). Of this amount, €458.1 million was accounted for by lease receivables from external customers and €449.1 million by lease receivables from the LMH and STILL segments relating to the financing of the short-term rental fleet. Another €240.7 million was attributable to leased assets under operating leases relating to external customer contracts. Leasing business, which generated lease originations of €436.0 million, continued to focus on the core European markets of France, Germany, Italy, Spain and the United Kingdom. The volume of business in eastern Europe, China and Brazil remained at a low level.

Financial performance

Segment revenue, including internal revenue from the financing of the LMH and STILL segments' short-term rental fleet, advanced by 5.9 per cent to €539.4 million (2012: €509.3 million). Revenue generated from external customers went up by 6.0 per cent, from €296.8 million to €314.7 million. The FS segment's earnings before tax came to €4.7 million, which was just below the figure for 2012 of €4.8 million. As at 31 December 2013, return on equity (ROE) remained unchanged on the prior year at 13.0 per cent.
>> TABLE 023

Key figures – Financial Services – >> TABLE 023

in € million	2013	2012	Change
Revenue	539.4	509.3	5.9 %
Adjusted EBITDA	66.2	59.2	11.8 %
Adjusted EBIT	0.7	1.4	–52.1 %
EBT	4.7	4.8	–2.7 %
Lease receivables [1]	907.2	753.3	20.4 %
thereof to third parties	458.1	379.9	20.6 %
Lease liabilities [2]	935.2	730.3	28.1 %
thereof liabilities from funding of the short-term rental business	319.7	263.7	21.2 %
Net financial debt	163.6	174.9	–6.4 %
Equity [3]	41.7	41.7	–0.0 %
Return on equity [3]	13.0 %	13.0 %	–

1 Includes intra-group lease receivables from LMH and STILL segments from funding of the short-term rental business
2 Includes liabilities from financing of the short-term rental fleet reported as other financial liabilities
3 Earnings before taxes / Average equity tied up during the reporting period excluding the net income of the period

Other segment

Business performance

Group head office functions that do not come under any other segment, plus the Voltas brand company, are reported in the Other segment. Voltas MH, the leading provider in the Indian market, registered a rise in order intake for electric forklift trucks and warehouse trucks, while diesel trucks proved stable. It stepped up its collaboration with Baoli on product development and production. This enables the KION Group to serve the Indian volume market even more efficiently.

Financial performance

Earnings and revenue in the Other segment also include intra-group contributions from consolidated subsidiaries that are eliminated at Group level. Revenue decreased from €250.9 million in 2012 to €235.1 million. As in the previous year, the main revenue drivers were internal IT and logistics services as well as Voltas MH. The segment's revenue from external customers rose to €48.2 million (2012: €42.9 million), predominantly due to contributions from Voltas MH.

EBIT grew to €71.8 million (2012: minus €12.2 million), while adjusted EBIT rose to €73.5 million (2012: €44.4 million). This increase compared with the previous year was largely due to the year-on-year improvement in subsidiaries' earnings and the related rise in intragroup income from investments in the Other segment, which is eliminated at Group level during consolidation. >> TABLE 024

Key figures – Other – >> TABLE 024

in € million	2013	2012	Change
Order intake	235.1	250.9	–6.3 %
Revenue	235.1	250.9	–6.3 %
EBITDA	88.7	5.6	> 100.0 %
Adjusted EBITDA	90.4	62.2	45.4 %
EBIT	71.8	–12.2	> 100.0 %
Adjusted EBIT	73.5	44.4	65.7 %

Financial position

Principles and objectives of financial management

By pursuing an appropriate financial management strategy, the KION Group ensures that sufficient cash and cash equivalents are available at all times to meet the Group companies' operational and strategic funding requirements. In addition, the KION Group optimises its financial relationships with customers and suppliers, manages any collateral security offered and mitigates the financial risk to its enterprise value and profitability, notably currency risk, interest-rate risk, price risk, counterparty risk and country risk. In this way, the KION Group creates a stable funding position from which to maintain profitable growth.

The financial resources within the KION Group are provided based on an internal funding approach. The KION Group collects liquidity surpluses of the Group companies in central or regional cash pools and, where possible, covers subsidiaries' funding requirements with intercompany loans. This funding enables the KION Group to present a united front in the capital markets and strengthens its hand in negotiations with banks and other market participants.

As a listed group of companies that also obtains funding using corporate bonds and loan facilities, the KION Group considers the interests of shareholders, bond holders and banks in its financial management. For the sake of these stakeholders, the KION Group makes sure that it maintains an appropriate ratio of internal funding to borrowing.

The KION Group's borrowing is based on a long-term approach. The core elements – a revolving loan facility of €1,045.0 million and two secured corporate bonds of €325.0 million and €650.0 million respectively – are due to mature between 2018 and 2020. 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.

Among other things, the loan facility and the contractual conditions relating to the issuance of the corporate bonds require compliance with loan conditions ('covenants'). The loan facility also requires compliance with specific financial covenants during the term of the agreement. Non-compliance may, for example, give lenders the right to terminate the loan or permit bondholders to put the corporate bonds back to the issuer prior to their maturity date. All covenants and restrictions were comfortably complied with in the past financial year. The ending of the acquisition finance meant that many restrictions were lifted in the second half of the year, thereby greatly improving flexibility as far as funding is concerned.

Depending on requirements and the market situation, the KION Group will also avail itself of the funding facilities offered by the public capital markets in future. The KION Group therefore seeks to maintain an investment-grade credit rating in the capital and funding markets by rigorously pursuing a value-based strategy, implementing proactive risk management and ensuring a solid funding structure.

The KION Group maintains a liquidity reserve in the form of unrestricted, bindingly committed credit lines and cash in order to ensure financial flexibility and solvency.

The KION Group only uses derivatives to hedge underlying operational transactions; in particular, hedging for currency and interest-rate risks. Only cash flow hedges were used for this purpose in the reporting year. The interest-rate swaps and currency swaps that had been used in 2012 to hedge interest-rate risk and currency risk arising out of acquisition finance had been terminated in connection with the repayment of this finance by the middle of 2013.

Main financing activities in the reporting period

The placement of 17.2 million new shares at €24.00 per share generated €413.4 million for the KION Group (before deduction of bank charges). A further €328.4 million was generated by a capital increase of 13.7 million shares, which were acquired by Weichai Power immediately before completion of the IPO. In connection with the IPO, Superlift Holding acquired 4.0 million shares at a price of €29.21 per share by way of converting an existing loan and its stake in Superlift Funding into equity. This boosted equity by a further amount of approximately €118.1 million. Overall, equity rose by €859.9 million as a result of the three capital increases. After deduction of transaction costs of €13.9 million (adjusted for tax effects) that were recognised directly in equity, the net increase in the Group's equity amounted to €845.9 million. The portion of the transaction costs for the capital increases that exceeded the amounts recognised in equity was recognised directly as an expense.

In connection with the IPO, the KION Group agreed a new revolving loan facility with a group of banks for €995.0 million with a term to maturity of five years after the IPO. The loan facility was increased to €1,045.0 million in December 2013. Combined with the current lower level of interest rates, this loan facility offers far more favourable credit terms than the previous funding.

The inflows from the IPO, along with part of the new loan facility and existing cash reserves, was used to repay in full the long-term bank loans under the acquisition finance arrangements (Senior Facilities Agreement or SFA). In addition, the floating rate note, which was due to mature in 2018 and amounted to €175.0 million, was repaid early in full.

Back in February 2013, KION Finance S.A. placed a senior secured bond with a total volume of €650.0 million and a maturity date of 2020. The proceeds, net of the bank commission, were used to refinance all loans maturing in 2014 and 2015.

Following completion of the main funding activities, the KION Group was able to report a healthy equity ratio of 26.7 per cent as at 31 December 2013. As at the reporting date, net debt was roughly 1.4 times adjusted EBITDA for the past twelve months. The remaining long-term financial debt has a comfortable maturity profile.

Between 28 August and 26 September 2013, KION GROUP AG used cash and cash equivalents to buy treasury shares for an employee share programme. As at 31 December 2013, 0.2 million shares were held in treasury. The volume of funding required was €5.6 million.

Analysis of capital structure

Financial debt

Following its full repayment of the acquisition finance of €1,078.1 million and the floating rate note with a volume of €175.0 million, the KION Group's long-term borrowing has comprised two secured corporate bonds with a total volume of €975.0 million. The bond issued in the reporting year consisted of a fixed-rate tranche with a volume of €450.0 million and a floating-rate tranche with a volume of €200.0 million. The fixed-rate tranche of a bond issued in 2011, which has a volume of €325.0 million and a maturity date of 2018, remains unchanged.

As at the reporting date, €184.4 million had been drawn down under the newly agreed revolving loan facility of €1,045.0 million – including other loan liabilities of individual Group companies outside Germany and contingent liabilities. The KION Group therefore had unused loan facilities worth €860.6 million that it could draw down at short notice as at 31 December 2013. Gross financial debt totalled €1,215.3 million on the reporting date; including capitalised borrowing costs, the financial debt recognised in the statement of financial position stood at €1,198.6 million. After deduction of cash and cash equivalents, the remaining net financial debt came to €979.3 million as at 31 December 2013 (31 December 2012: €1,790.1 million).
>> TABLE 025

Net financial debt

>> TABLE 025

in € million	2013	2012	Change
Corporate bond – fixed rate (2011/2018) – gross	325.0	325.0	0.0 %
Corporate bond – floating rate (2011/2018) – gross	–	175.0	–100.0 %
Corporate bond – fixed rate (2013/2020) – gross	450.0	–	–
Corporate bond – floating rate (2013/2020) – gross	200.0	–	–
Liabilities to banks (gross)	233.7	1,882.1	–87.6 %
Liabilities to non-banks (gross)	6.6	4.5	47.1 %
./. Capitalised borrowing costs	–16.7	–34.1	51.2 %
Financial debt	**1,198.6**	**2,352.4**	**–49.0 %**
./. Cash and cash equivalents	–219.3	–562.4	61.0 %
Net financial debt	**979.3**	**1,790.1**	**–45.3 %**

Retirement benefit obligation

The KION Group supports pension plans in many countries. These plans comply with legal requirements, local practice and the situation in the country in question. They are either defined benefit pension plans, defined contribution pension plans or multi-employer benefit plans. As at 31 December 2013, the retirement benefit obligation under defined benefit pension plans amounted to €560.1 million. The moderate year-on-year rise was largely due to ongoing additions to pension provisions. After deduction of pension assets amounting to €22.4 million, the net obligation stood at €537.7 million (31 December 2012: €524.8 million).

Contributions to pension plans that are entirely or partly funded via funds are paid in as necessary to ensure sufficient assets are available and to be able to make future pension payments to pension plan participants. These contributions are determined by various factors, such as the funded status, legal and tax considerations, and local practice. The payments made by the KION Group to retired employees in 2013 totalled €25.1 million, which included €13.1 million for direct pension payments and €11.6 million for employer contributions to plan assets. Transfers to external pension funds resulted in further payments of €0.4 million.

Further details about the retirement benefit obligation are provided in note [28] in the notes to the consolidated financial statements.

Lease liabilities

Lease liabilities arising from financial services activities totalled €617.1 million as at 31 December 2013 (31 December 2012: €475.0 million). These resulted solely from sale and leaseback transactions used to finance leases with external customers. Of this total, €403.7 million was accounted for by non-current lease liabilities (31 December 2012: €329.2 million) and €213.3 million by current lease liabilities (31 December 2012: €145.8 million). The rise in non-current lease liabilities is attributable, above all, to new leases and the first consolidation of the dealer Willenbrock.

Short-term rentals and procurement leases are allocated to the brand companies. The corresponding liabilities are reported under other financial liabilities (see note [32] in the notes to the consolidated financial statements). These include, among other things, liabilities of €327.5 million from sale and leaseback transactions used to finance the short-term rental fleet. They also contain liabilities arising from residual-value guarantees amounting to €17.3 million. These residual-value liabilities relate to residual-value guarantees, provided in connection with the sale of assets to leasing companies, where the guaranteed amount is more than 10.0 per cent of the fair value of the asset in question. The lease liabilities are mostly covered by lease receivables, future inflows of funds from sub-leases with customers and revenue from the sale of used trucks.

Equity

Equity rose substantially due to the capital increases carried out during the reporting year. It stood at €1,610.0 million on 31 December 2013, compared with €660.7 million at the end of 2012. There was an even greater increase in the equity ratio, which went up from 10.6 per cent at the end of 2012 to 26.7 per cent at the end of 2013, because of the simultaneous reduction of debt. >> TABLE 026

Condensed balance sheet, equity and liabilities* >> TABLE 026

in € million	2013	in %	2012	in %	Change
Equity	**1,610.0**	**26.7 %**	**660.7**	**10.6 %**	**>100.0 %**
Non-current liabilities	**2,709.8**	**45.0 %**	**3,929.0**	**63.2 %**	**−31.0 %**
thereof:					
Corporate bond	958.3	15.9 %	489.5	7.9 %	95.8 %
Financial liabilities	12.8	0.2 %	1,811.2	29.2 %	−99.3 %
Deferred tax liabilities	306.2	5.1 %	308.8	5.0 %	−0.8 %
Lease liabilities	403.7	6.7 %	329.2	5.3 %	22.6 %
Current liabilities	**1,706.6**	**28.3 %**	**1,623.5**	**26.1 %**	**5.1 %**
thereof:					
Financial liabilities	227.5	3.8 %	51.8	0.8 %	>100.0 %
Trade payables	550.5	9.1 %	646.0	10.4 %	−14.8 %
Lease liabilities	213.3	3.5 %	145.8	2.3 %	46.3 %
Total equity and liabilities	**6,026.4**		**6,213.2**		**−3.0 %**

* Condensed balance sheet for 2012 was adjusted due to the retrospective application of IAS 19R (2011)

Funding vehicles not reported on the statement of financial position

The KION Group makes limited use of funding vehicles not reported on the statement of financial position. As part of its financing activities, the KION Group has entered into leases both for its own use and for transfer to customers. In accordance with the relevant IFRS requirements, such leases are not reported as either an asset or a liability on the statement of financial position. The nominal amount of the contractual obligations arising from such leases not reported in the statement of financial position was €206.0 million as at 31 December 2013 (31 December 2012: €194.2 million; see note [33] in the notes to the consolidated financial statements).

Analysis of capital expenditure

Capital expenditure (excluding leased and rental assets) was again funded by cash flow from operating activities and by withdrawals from the revolving part of the SFA in the reporting year.

Capital expenditure amounted to €125.8 million in 2013, down by 18.9 per cent on 2012 (€155.1 million). The decrease was mainly attributable to the sale of the hydraulics business at the end of 2012, which had high levels of capital expenditure. Another reason for the decrease was the ending of special projects, which in 2012 were the construction of a new plant in São Paulo and the relocation of production in Europe. By contrast, there were no special projects of comparable magnitude in the LMH and STILL segments in 2013. Capital expenditure on developing products and expanding production sites and on the ongoing modernisation of the IT infrastructure increased slightly year on year.

A significant portion of capital expenditure went on the development and refinement of counterbalance trucks, reach trucks and other warehouse trucks and on innovations such as lithium-ion batteries. Operational investments predominantly related to equipment and machinery for the production of new industrial trucks and components. IT investment projects related to areas such as standardisation of the global sales systems.

Analysis of liquidity

Liquidity management is an important aspect of central financial management. The sources of liquidity are cash and cash equivalents (including pledged cash deposits), cash flow from operating activities and amounts available under loan facilities. Cash and cash equivalents totalled €219.3 million as at 31 December 2013. The figure for the previous year of €562.4 million had been boosted by inflows from the transactions with Weichai Power at the end of 2012. Taking into account the loan facility that was still available, the KION Group had access to cash and cash equivalents amounting to €1,079.6 million as at the reporting date, compared with €930.9 million as at 31 December 2012.

Net cash provided by the KION Group's operating activities totalled €336.1 million (2012: €414.0 million). The significant decrease was largely due to one-off tax payments of €57.7 million in connection with the sale of the hydraulics business in 2012. EBIT of €549.1 million in 2012 included, among things, income of €211.8 million from the sale of the hydraulics business that did not impact on cash flow from operating activities.

Net cash used for investing activities totalled €133.5 million. By contrast, the net cash provided by investing activities in 2012 came to €104.1 million, which included proceeds of €259.7 million from the sale of the hydraulics business. Cash payments for capital expenditure on non-current assets and property, plant and equipment, which make up the biggest outflow of funds, fell from €155.1 million in 2012 to €125.8 million in 2013. In both the Linde Material Handling and STILL operating segments, the volume of capital expenditure was below that of the comparable prior-year period, which for the LMH segment had still included the hydraulics business and for the STILL segment the new plant in Brazil. Major projects related to improvement of the performance of the global spare parts warehouse in Kahl, the expansion of production and development capacities in China in the LMH segment and various measures to modernise the German sites in the STILL segment. Capital expenditure (excluding leased and rental assets) was again funded in the reporting year.

Net cash used for acquisitions amounted to €25.1 million (after deduction of the cash received). The acquisitions were the Arser Group in Turkey (€3.9 million) and 51.0 per cent of the shares in the German dealer Willenbrock Fördertechnik (€21.2 million). In the previous year, €9.7 million of the outflow of funds was attributable to the acquisition of a majority stake in Linde Creighton. The main inflows from investing activities related to dividend payments from equity investments, interest income and net inflows from non-current assets.

Free cash flow – the sum of cash flow from operating activities and investing activities – was €202.6 million in the reporting period. This was below the prior-year figure of €518.1 million, which had been affected by non-recurring items.

Cash flow from financing activities amounted to minus €538.6 million. Inflows resulted from the issuance of the corporate bond in February 2013 (€649.0 million), capital contributions in connection with the IPO (€741.8 million) and a drawdown from the new loan facility (€184.4 million). Gross repayments of all financial liabilities, including the early redemption of the 2011/2018 floating rate note, amounted to a total outflow over the period as a whole of €2,201.6 million. This amount was partly offset by taking up financial debt of €1,095.9 million – including the corporate bond issued in 2013. Cash and cash equivalents of €5.6 million were used to buy 200,000 shares for an employee share programme. The cash payments for costs incurred in connection with the debt and equity transactions mentioned above amounted to €56.3 million (2012: €15.6 million). Regular interest payments were €10.1 million lower than in 2012 and amounted to €119.6 million in the reporting period. These interest payments included a non-recurring outflow of funds of €14.4 million resulting from the termination of interest-rate hedging instruments in connection with the previous acquisition finance arrangements. The net cash outflow from financing activities in 2012 (€330.1 million) was also largely attributable to the repayment of loans. The positive free cash flow and the existing cash from 2012 were predominantly used for the repayments. >> TABLE 027

Net assets

Non-current assets

Non-current assets grew only slightly year on year, advancing by 4.8 per cent to €4,435.8 million (31 December 2012: €4,231.0 million).

There was a small rise in intangible assets, which reached €2,428.7 million. The main reasons were the acquisitions in the reporting year, which increased goodwill by €23.1 million. There was further capitalisation of development costs, software and other intangible assets, while amortisation totalled €73.6 million.

Condensed cash flow statement* >> TABLE 027

in € million	2013	2012	Change
EBIT	374.2	549.1	–31.9 %
Cash flow from operating activities	336.1	414.0	–18.8 %
Cash flow from investing activities	–133.5	104.1	<–100.0 %
Free cash flow	**202.6**	**518.1**	**–60.9 %**
Cash flow from financing activities	–538.6	–330.1	–63.2 %
Currency effects on cash	–7.0	1.0	<–100.0 %
Change in cash and cash equivalents	**–343.0**	**188.9**	**<–100.0 %**

* Condensed cash flow statement for 2012 was adjusted due to the retrospective application of IAS 19R (2011)

The change in leased assets reflects the growth in the volume of financial services business conducted by the KION Group with external end customers, which stood at €251.9 million at the end of 2013 (31 December 2012: €191.3 million). The increase can primarily be attributed to the greater volume of industrial truck operating leases with external customers and the consolidation of the leasing business of the dealer Willenbrock. Beneficial ownership remains with KION as the lessor.

Rental assets, which mostly consist of the rental fleets of the LMH and STILL operating segments, had risen to €461.2 million as at the reporting date (31 December 2012: €395.1 million).

Other property, plant and equipment had declined slightly year on year, falling to €499.4 million (31 December 2012: €500.3 million). Additions of property, plant and equipment in the reporting period of €64.4 million were offset by depreciation of €67.8 million.

Equity-accounted investments declined to €138.6 million (31 December 2012: €154.8 million) largely due to the losses incurred by the 30.0 per cent stake in Linde Hydraulics.

Long-term lease receivables arising from finance leases with external customers increased by 15.6 per cent to €308.8 million, reflecting – as was the case with leased assets – the high number of new long-term leases signed and consolidation of the leasing business of the dealer Willenbrock.

Other financial assets changed only insignificantly and stood at €51.7 million (31 December 2012: €50.2 million).

An explanation of the change in deferred tax assets is provided in note [14] in the notes to the consolidated financial statements.

Current assets

Current assets reduced year on year, falling by 19.8 per cent to €1,590.7 million (31 December 2012: €1,982.2 million). The main reason for this was the use of cash and cash equivalents to repay debt.

Overall, there was very little change in other current assets. The decline in inventories to €511.8 million (31 December 2012: €549.9 million) was attributable to improved management of working capital. Likewise, trade receivables decreased to €558.7 million (31 December 2012: €625.5 million). Lease receivables advanced from €132.1 million as at 31 December 2012 to €170.8 million on the reporting date owing to the increase in business volume.

>> TABLE 028

Inventories >> TABLE 028

in € million	2013	2012	Change
Materials and supplies	108.3	120.0	–9.7 %
Work in progress	66.7	75.0	–11.0 %
Finished goods and merchandise	331.2	349.0	–5.1 %
Advances paid	5.5	5.9	–6.9 %
Total inventories	**511.8**	**549.9**	**–6.9 %**

Working capital (inventories and trade receivables less trade payables) was €520.0 million as at the reporting date, which was less than it had been a year earlier (31 December 2012: €529.3 million).

>> TABLE 029

Condensed balance sheet, assets*

>> TABLE 029

in € million	2013	in %	2012	in %	Change
Non-current assets	**4,435.8**	**73.6 %**	**4,231.0**	**68.1 %**	**4.8 %**
thereof:					
Goodwill	1,494.7	24.8 %	1,473.2	23.7 %	1.5 %
Brand names	594.7	9.9 %	593.9	9.6 %	0.1 %
Deferred tax assets	295.5	4.9 %	264.9	4.3 %	11.5 %
Rental assets	461.2	7.7 %	395.1	6.4 %	16.7 %
Leased assets	251.9	4.2 %	191.3	3.1 %	31.7 %
Lease receivables	308.8	5.1 %	267.1	4.3 %	15.6 %
Current assets	**1,590.7**	**26.4 %**	**1,982.2**	**31.9 %**	**–19.8 %**
thereof:					
Inventories	511.8	8.5 %	549.9	8.9 %	–6.9 %
Trade receivables	558.7	9.3 %	625.5	10.1 %	–10.7 %
Lease receivables	170.8	2.8 %	132.1	2.1 %	29.2 %
Other current assets	114.7	1.9 %	106.8	1.7 %	7.4 %
Cash	219.3	3.6 %	562.4	9.1 %	–61.0 %
Total assets	**6,026.4**		**6,213.2**		**–3.0 %**

* Condensed balance sheet for 2012 was adjusted due to the retrospective application of IAS 19R (2011)

NON-FINANCIAL PERFORMANCE INDICATORS

The KION Group's enterprise value is determined not only by financial KPIs but also to a significant extent by non-financial ones. These are based on the Company's relations with its customers and employees, on its technological position and on environmental considerations. Together, they enable conclusions to be drawn about the extent to which the KION Group succeeds in:

- being an attractive and responsible employer that can retain competent and committed employees;
- developing products that meet customers' needs and environmental requirements now and in future;
- continually increasing the customer benefits provided by its products and services;
- designing production processes in such a way that resources are conserved and emissions are avoided as far as possible.

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

Employees

HR strategy

The KION Group's success is founded on the capabilities and commitment of its employees. Its human resources (HR) strategy is geared towards providing the best possible support for strategic development and international growth. The KION Group aims to always have a sufficient number of qualified, committed employees at all levels of its operations and to offer them attractive working conditions and the opportunities afforded by working for an international group of companies. This strategy also enables the Company to tackle the challenges of demographic change.

Headcount

The average number of employees (full-time equivalents (FTEs), including trainees and apprentices) in the KION Group was 21,632 in 2013 (2012: 22,232 FTEs). As at 31 December 2013, the KION Group companies employed 22,273 FTEs, 1,058 more than a year earlier.

Much of this increase was accounted for by the first-time consolidation of the trading and sales companies acquired in the year under review. The acquisition of Willenbrock Fördertechnik increased headcount by 542 employees, while the acquisition of Arser added a further 122. Besides the acquisitions, companies in the KION Group also continued to strengthen their sales and service functions. The sharp rise in the number of people employed in these functions more than offset the slight decline in production employees. Closure of the Merthyr Tydfil site and the transfer of production to a contract production facility contributed to this decline (see page 82). Implementing the job losses with the minimum possible social impact had utmost priority during the process of closing the site. The number of staff in administrative functions rose only moderately due to the cost-cutting measures initiated.

At regional level, there were only slight changes in headcount overall. The number of employees rose in Germany, France and Turkey, primarily due to the acquisition of trading companies. As at 31 December 2013, headcount in China (excluding Hong Kong) had increased by approximately 5 per cent compared with the end of 2012. The research and development, production and sales functions were all expanded in China. >> TABLE 030

Employees (full-time equivalents) >> TABLE 030

31/12/2013	LMH	STILL	FS	Other	Total
Western Europe	8,689	6,553	80	519	15,841
Eastern Europe	1,048	625	16	0	1,689
Americas	122	526	1	0	649
Asia	3,360	0	10	156	3,526
Rest of world	557	0	11	0	568
Total	**13,776**	**7,704**	**118**	**675**	**22,273**
31/12/2012					
Western Europe	8,259	6,214	71	534	15,078
Eastern Europe	1,034	582	16	0	1,632
Americas	122	457	1	0	580
Asia	3,195	0	13	168	3,376
Rest of world	538	0	11	0	549
Total	**13,148**	**7,253**	**112**	**702**	**21,215**

Personnel expenses amounted to €1,143.8 million – a year-on-year decrease of 4.9 per cent – owing to the smaller average headcount for the year, which was primarily attributable to the sale of the hydraulics business. This easily offset the countervailing effect caused by adjustments to wages and salaries. >> TABLE 031

Personnel expenses >> TABLE 031

in € million	2013	2012	Change
Wages and salaries	900.5	946.6	–4.9 %
Social security contributions	203.7	222.1	–8.3 %
Post-employment benefit costs and other benefits	39.5	34.0	16.2 %
Total	**1,143.8**	**1,202.7**	**–4.9 %**

Diversity

The KION Group sees itself as a global manufacturer with strong intercultural awareness: as at 31 December 2013, people from 66 different countries were employed across the KION Group.

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

The KION Group tackles the challenges of demographic change by providing working conditions that are suited to employees' age-related requirements and organising healthy-living programmes so that it can continue to benefit from older employees' experience. As at 31 December 2013, 23.5 per cent of employees were over the age of 50 (31 December 2012: 22.6 per cent). A total of 250 employees were participating in partial retirement models as at the reporting date (31 December 2012: 333).

Another aspect of diversity is increasing the proportion of female employees, which rose from 15.9 per cent to 16.1 per cent in 2013. Women occupied 8.0 per cent of management positions (2012: 8.6 per cent). The Executive Board has resolved to double the proportion of women in management positions by 2020. Going forward, the KION Group intends to fill more management positions with employees from outside Germany in order to better reflect the Company's international make-up.

The KION Group offers flexible working-time models that promote a good work-life balance. In addition, Linde Material Handling has implemented a company agreement about 'teleworking/home office', which stipulates the terms on which employees can work at home on a mutually agreed and voluntary basis.

Development of specialist workers and executives

Finding highly qualified people to fill specialist and executive positions is crucial to the KION Group's success. As a result, one of the focuses of HR work across the Group was again the recruitment and development of suitable young talent in 2013.

The KION Group endeavours to offer its employees interesting career opportunities and flexible, family-friendly working-time models. The Group companies also collaborate closely on areas such as talent management and training & development programmes. This helps to systematically identify and support staff with strong potential, high performers and experts in key functions. Organised in cooperation with the European School of Management and Technology (ESMT), KION Campus is an international, cross-brand executive development programme aimed at the Group's 300 or so top executives. In addition, new managers at STILL receive support under the First Leading programme during their first few years. Prospective managers can enhance their skills through STILL's Young Professional programme, while international staff with high potential can participate in the International Junior Circle. The STILL Academy offers subject-specific and interdisciplinary training courses. Opportunities at Linde Material Handling include a virtual assessment centre for future managers.

Training and professional development

The companies in the KION Group currently offer training for 19 professions in Germany. They employed a total of 591 trainees and apprentices as at 31 December 2013 (31 December 2012: 543). This represents a significant increase in the number of trainees and apprentices, which will enable the KION Group to meet its ongoing recruitment needs. Work placements for students combining vocational training with a degree course are also offered in cooperation with various universities.

The continuing professional development on offer was expanded in 2013, for example by using e-learning platforms. This included PC-based training on the KION Group's code of conduct.

Ideas management

The companies in the KION Group regularly reward employees for their good ideas. STILL, in particular, has placed greater emphasis on its ideas management scheme over the past two years. New suggestions are quickly processed using a web tool and then receive recognition in regular reports on the intranet. In 2013, 724 ideas were submitted, of which 184 were rewarded and put into practice.

Health and safety in the workplace

The steps that the KION companies must take with regard to workplace safety, health and the environment are laid down in a corporate policy. According to this document, the KION Group's obligations include taking comprehensive precautions to create a safe working environment and ensuring employees know how to avoid risks and accidents.

At 97.1 per cent, the health rate remained at the same high level as in the previous year. The number of workplace accidents and the workdays lost as a result had fallen slightly compared with 2012. Analysis of accidents and detailed action plans help to reduce risks in the workplace.

In addition, LMH has launched a programme for changing the culture of health and safety at four German plants. It developed the programme in collaboration with experts at DuPont Sustainable Solutions.

The medium-term aim is for all sales outlets to implement an occupational health and safety management system in accordance with OHSAS 18001. To assist with this, a safety expert has been recruited for the Aschaffenburg site. In 2013, STILL's occupational health and safety management system was certified in accordance with OHSAS 18001.

Besides conventional measures to ensure workplace safety, increasing attention is being paid to employees' general health. Since 2013, Linde Material Handling's German plants have offered free health checks for all employees. Five key health factors are checked and discussed during an appointment with a company doctor.

Employee share programme

Having successfully floated on the stock exchange, the KION Group wants to set up a share programme to enable its employees to share in the Company's success. To this end, 200,000 treasury shares were repurchased over a four-week period, which represented around 0.2 per cent of the Company's share capital. The intention is to launch the programme in Germany in 2014 before rolling it out at other sites around the world, wherever possible.

Research and development

Strategic focus of research and development

In 2013, the KION Group again channelled a considerable proportion of its product revenue into research and development in order to enhance its portfolio so that it can secure its position as a leading technology provider. Total R&D spending, including depreciation, amortisation and impairment, as well as capitalisation of development expenses, amounted to €114.2 million in 2013 (2012: €120.2 million). The decline is essentially attributable to the sale of the hydraulics business. Research and development (R&D) is therefore geared towards the overarching aim of containing customers' total cost of ownership (TCO) – including purchase price, maintenance and repair costs and fuel consumption – while complying with environmental targets and regulatory requirements. Another aim is to integrate the KION Group's logistics solutions into customers' value chains and harness the potential of new application areas.

Brand-specific and cross-brand modular and platform strategies are pursued to ensure research and development is as cost-efficient as possible, the complexity and variety of products is reduced and development times are shortened. The cross-brand R&D platform enables research results and technological expertise to be shared, although responsibility for product development lies mainly with the individual companies.

Key R&D figures

The KION Group spent a total of €114.2 million on R&D in 2013, a similar amount to the previous year. As in 2012, this corresponded to 2.5 per cent of revenue, or 4.5 per cent of revenue from new truck business. Spending on research and development was therefore higher than the industry average once again in 2013. The total includes capitalised development costs of €45.7 million (2012: €51.2 million) as well as depreciation and amortisation in the amount of €45.1 million (2012: €55.5 million) (see note [17] in the notes to the consolidated financial statements).

The number of full-time jobs in R&D teams stood at 944 at the end of 2013 (31 December 2012: 847). There was particularly strong growth at the R&D centre in Xiamen (China), which had 232 FTEs at the end of 2013. This centre carries out cross-brand development work, focusing mainly on the economy and value price segments in emerging markets.

Total R&D spending*

>> TABLE 032

in € million	2013	2012	Change
Research and development costs (P&L)	113.6	124.5	–8.7 %
Amortisation expense	–45.1	–55.5	18.9 %
Capitalised development costs	45.7	51.2	–10.9 %
Total R&D spending	**114.2**	**120.2**	**–5.0 %**
R&D spending as percentage of revenue	2.5 %	2.5 %	–

* Total R&D spending for 2012 was adjusted due to the retrospective application of IAS 19R (2011)

External costs predominantly related to engineering services, materials for prototype development and IT. Linde Hydraulics, which was spun off in 2012, and Linde Material Handling collaborate closely on the development of new hydraulics products. >> TABLE 032

The KION Group takes comprehensive measures to protect the products it develops against imitations. In 2013, the KION companies were granted a total of 85 patents (2012: 63). As at 31 December 2013, the companies of the KION Group held a total of 1,596 patent applications and issued patents (31 December 2012: 1,495 patent applications and issued patents).

Focus of R&D in 2013

Reduction of emissions and fuel consumption

Both Linde and STILL launched updated diesel trucks at the start of the year in response to new EU emissions standards (97/68/EC stage IIIB). The pollutants produced by Linde's H20 to H50 (EVO) series of IC counterbalance trucks are well below the maximum permitted statutory limits thanks to new, low-emission engines as well as a particulate filter fitted as standard. The value for emitted particulate matter (PT) is 84.0 per cent below the limit, hydrocarbons (HC) and nitrogen oxides (NOx) are 26.1 per cent below the limit and the figure for carbon monoxide (CO) is 99.5 per cent below the limit. As a result, the trucks are even suitable for use in enclosed spaces. The new trucks are also more energy-efficient and offer improved driver ergonomics and safety. An analysis of exhaust emissions in the year under review found that the Linde diesel trucks were the cleanest trucks in the highest-volume market segment, i.e. trucks with a load capacity of between 2.5 and 3.5 tonnes.

STILL is expanding its RX 70 range with the RX70-60/80 and RX70-40/50 models. The focus is on adhering to emissions legislation, with diesel particulates being reduced by more than 92.0 per cent. Technical aspects – handling capacity, driving performance and the ergonomics of the driver's workstation – have also been improved. Energy consumption by industrial trucks has been reduced substantially yet again thanks to the tried-and-tested hybrid version and STILL's Blue-Q energy-efficiency programme.

Region-specific and customer-specific design

In 2013, the KION Group's R&D centre in Xiamen again focused on developing platform concepts for China and other emerging markets. The core task was to develop three models with different drive systems and in different price categories. A basic, low-cost variant (drive unit with a torque converter) was successfully launched on the Chinese market at the start of the year. The model is now being marketed in Brazil as well, having been adapted to meet local requirements. Two more models in the counterbalance truck series are currently being developed in Xiamen that have more sophisticated drive systems. The Indian company Voltas MH is also collaborating with the R&D centre in Xiamen and is using an axle developed there for its new electric forklift truck.

Bespoke solutions play an important role, especially in developed markets. In the year under review, Linde Material Handling pushed ahead with customising industrial trucks in accordance with customer requirements in the western European market, resulting in a new generation of reach trucks, Linde R14 to R20, which have a load capacity of between 1.4 and 2 tonnes. A far greater number of mast, chassis and battery variants, combined with optional features, enable customer-specific solutions to be created from series production trucks. At the same time, the chassis and other modules form the basis for other models of the KION Group. This is in line with the Group's modular and platform strategy, which involves a higher proportion of common parts.

Drive technology

As in the previous year, development of new drive technologies centred on powerful lithium-ion batteries for electric and hybrid trucks. LMH and STILL launched the first hand pallet trucks and towing vehicles fitted with such batteries at the end of 2013. They store considerably more energy and can be charged faster than lead-acid batteries. In addition, LMH and STILL are also pushing forward with the development of lithium-ion batteries for counterbalance trucks in higher weight categories. Another project is concerned with developing high-performance booster batteries for hybrid trucks.

The KION companies are also conducting fundamental research into alternative drive technologies. In a field trial for the production of the BMW i, the KION Group is currently working with the BMW Group and Munich University of Technology to investigate a hydrogen drive for industrial trucks. The E-LOG-Biofleet research project, which was launched in 2011 to test the suitability of the fuel-cell hybrid drive developed by Linde and Fronius, officially started a year-long field test at DB Schenker in June. Four STILL trucks fitted with fuel cells built by Danish manufacturer H2-Logic are also being trialled at a Danish DIY chain.

The LMH unit New Business & Products, which is responsible for marketing existing electric drive concepts, teamed up with sweeping technology manufacturer Val'Air S.A.S at MobiliTec 2013 to present a compact hybrid sweeping machine for use in city centres and on industrial sites. LMH won the 2013 Industriepreis in the power transmission and fluid technology category for its ROTRAC E2 and E4 road-rail shunting vehicles.

Networking

The automation and networking of supply chains remains an important subject. In 2013, STILL launched the iGoEasy system, which can be installed, operated, and adjusted intuitively using an iPad. iGoEasy has been designed for use in plants with low transport volumes where, until now, the best option has been to manage the flow of goods with just a manually operated truck. The system enables simple transport tasks carried out by a single truck to be fully automated for the first time, without the need for specially trained staff.

Workplace safety and ergonomics

To move heavy loads in explosion protection areas, LMH has brought out two new diesel trucks that meet the EC requirements for use in zone-two explosive atmospheres (EN 1755), while the Atex version has been type-tested in accordance with 94/9/EC by TÜV Rheinland.

The LMH and STILL optical driving path warning system BlueSpot, which warns of approaching trucks in aisles and at blind crossings, has also been available with red LEDs at LMH since November, so that the light that stands out most against the colour of the floor can be selected. BlueSpot directional is another new feature: the LED lights project a blue arrow onto the floor to indicate the direction in which the approaching truck is travelling.

To ascertain how the ergonomics of truck workstations can be further improved, the KION Group and students from Munich University of Technology carried out a research project in which they developed a working environment based on the principles of universal design. However, more research and testing are required before the concept can be applied.

Customers

Customer satisfaction

The KION companies gauge customer satisfaction in feedback discussions and from the degree of customer loyalty. STILL regularly carries out such surveys in service and sales. A CRM project has also been launched with the aim of finding out more about the customer structure and customer needs so that resources can be deployed in an even more targeted manner.

The KION Group's leading market position is underpinned by the accolades that it has earned. In 2013, Linde Material Handling was again voted the best industrial truck brand when it received the Image Award from the trade magazine VerkehrsRundschau. As part of a 2013 study to produce an image ranking for the warehousing and transshipment sector, the magazine had commissioned TNS Emnid to analyse the reputations and profiles of the biggest brands in the industrial truck sector.

Sales and marketing activities

The number and quality of contacts with customers at trade fairs enable conclusions to be drawn about existing and new customers' interest in product innovations.

The KION Group has particularly stepped up its activities in the Asia-Pacific region. In mid-May, the KION brand companies Linde, STILL and Baoli jointly presented their product portfolios in the Indonesian capital, Jakarta. The Indonesia-China Mechanical and Electrical Products Trade Fair is the biggest of its kind in south-east Asia.

In October, Linde Material Handling presented its Linde H100 to H180 IC trucks with hydrostatic drive at a roadshow that visited Poland, Slovakia, Hungary, Romania and the Czech Republic. LMH was also represented at last year's MobiliTec in Hannover, where it showed three innovative electric trucks. And LMH exhibited alongside partners at LogiMAT 2013. Both LMH and STILL also had stands at CeMAT in Brazil.

At the international 'transport logistic' fair in Munich, STILL showcased its expertise in developing and applying alternative drive systems as used in the RX 70 Hybrid, the first series-production hybrid forklift truck. STILL also appeared at the India warehousing&logistics fair in New Delhi.

Sustainability

The KION Group endeavours to achieve a balance between environmental, economic and social considerations in its business activities. This focus on sustainability is reflected in its eco-friendly and safe products that help customers to conserve energy, reduce emissions and comply with strict workplace safety standards (see 'Research and development'). Furthermore, the KION Group ensures that its production processes have as minimal an impact on the environment as possible and that it offers safe and discrimination-free working conditions.

The corporate policy on workplace safety, health and the environment was revised in the year under review. It defines a number of requirements for the companies in the KION Group, including:

- as a minimum, complying with all relevant national laws, codes of conduct and industry standards;
- ensuring safe working conditions and providing employees with the necessary training;
- avoiding the release of pollutants, discharge and emissions into the environment as far as possible;
- reducing the volume of waste by making better use of raw materials and using recyclable materials;
- using materials, products and processes that comply with best environmental practice;
- using resources, energy and raw materials efficiently.

Strict rules governing health, safety and the environment (HSE) apply in all areas of the company. In the reporting year, KION plants around the world were audited in accordance with a groupwide standard and HSE data was collected for the fourth time. These activities increased awareness of workplace safety and environmental protection and identified areas that could still be improved. A groupwide system of KPIs was introduced in 2013 to keep better track of the progress made with HSE matters. The goal is to bring HSE standards into line worldwide and create a shared culture of awareness regarding the environment and safety.

Safety experts at the KION Group's various production facilities began to collaborate more closely last year. Besides monthly conference calls, there was also an international HSE conference, at which experts from the individual sites and country organisations presented their successful workplace safety activities (see the HR report). For the first time, numerous representatives from the sales companies also took part.

All plants capture data about their energy consumption, volumes of waste and recycling, water consumption, CO_2 emissions and volatile organic compounds (VOC). This data is included in an annual internal environmental report. Data for 2013 was not available at the time this group management report was compiled.

According to the 2012 environmental report, energy consumption had declined slightly compared with 2011. Just under half (46.7 per cent) of the energy consumed was electricity and 27.5 per cent was gas. Approximately 92.2 per cent (2011: 92.5 per cent) of waste was recycled. Compared with the previous year, water consumption and CO_2 emissions fell slightly while VOC emissions declined significantly.

In addition, Linde Material Handling began to implement a system for analysing environmental impact using lifecycle assessments. The first step involved investigating and comparing the exhaust emissions of IC trucks in the product portfolio, which revealed that the new EVO models had particularly good emission levels.

At its core plant in Hamburg, STILL had its occupational health and safety management system certified in accordance with the BS.OHSAS 18001 standard and its environmental and energy management systems certified in accordance with ISO 14001 and ISO 50001 respectively in 2013. STILL intends to reduce its energy consumption considerably over the next few years by using energy efficiently and conserving resources.

Checking compliance with fundamental human rights and minimum social standards has always had the highest priority in the purchasing function. To satisfy its own requirements and the wish of many big-ticket customers for end-to-end monitoring of the supply chain, the KION Group has developed a supplier policy that forms the basis for incorporating environmental and ethical stipulations into the supplier management process.

Furthermore, all KION Group brands acknowledge their responsibilities as corporate citizens. This is demonstrated by the fact that both the Executive Board and employees personally support numerous charities in different countries. Providing support in the event of disasters is a particular priority. For example, trucks from KION companies were deployed to help build barriers against flooding on the Elbe river in 2013.

Events after the reporting date

On 18 December 2013, Weichai Power exercised its option to acquire a further 3.3 per cent of the shares of KION GROUP AG from the stake held by KKR and Goldman Sachs, thereby increasing its stake from 30.0 per cent to 33.3 per cent. The shares were transferred on 15 January 2014. Furthermore, the Executive Board understands that Superlift and Weichai Power have come to an arrangement in the shareholder agreement to grant each other a mutual right of first offer in respect of the shares held by the other shareholder.

On 7 January 2014, KKR and Goldman Sachs sold 10.7 million shares – 10.8 per cent of their KION stake – on the stock exchange at a price of €29.50 per share. Following this step, KKR and Goldman Sachs are now prohibited from selling shares until 7 April 2014. As result of Weichai exercising its option and of the placement of shares, the stake held by KKR and Goldman Sachs has declined from 48.6 per cent to 34.5 per cent. At the same time, the free float grew to 31.1 per cent.

Outlook, opportunity and risk report

OUTLOOK

Forward-looking statements

The forward-looking statements and information given below are based on the Company's current expectations and assessments. Consequently, they involve a number of risks and uncertainties. Many factors, 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.

Actual business performance may deviate from our forecasts due, among other factors, to the opportunities and risks described here. Performance particularly depends on macroeconomic and industry-specific conditions and may be negatively affected by increasing uncertainty or a worsening of the economic and political situation.

Forecast for 2013

The KION Group achieved the forecasts that it had made despite challenging conditions in the economy as a whole and in the material handling sector. Order intake and revenue were almost at the same level as in 2012. Currency effects had a negative impact on these figures, which is why the original forecasts made in the 2012 group management report were adjusted slightly downwards in the interim financial report for the third quarter of 2013. There was another increase in adjusted EBIT and the EBIT margin, as had been anticipated. One of the contributing factors here was the further rise in the proportion of total revenue generated by the service business, which increased to 43.9 per cent – above the target of 40 per cent. The KION Group generated much higher net income of €138.4 million, as had been forecast in the 2012 consolidated financial statements.

Assumptions

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

Expected macroeconomic conditions

In the opinion of the International Monetary Fund (IMF), the pace of global economic growth will pick up slightly in 2014. The global economy is expected to grow at a rate of 3.7 per cent and the eurozone at 1.0 per cent. The economic situation in emerging markets is stabilising, and moderate growth is anticipated in those countries. The forecast for economic conditions is based on the assumption that the eurozone will continue to stabilise, monetary policy will become increasingly more restrictive and be adjusted to reflect the faster pace of growth, and fiscal policy will remain cautious. The Chinese government is not expected to launch any major growth initiatives.

Expected sectoral conditions

The overall market for industrial trucks will continue to depend heavily on economic conditions in key sales markets, with the level of capital investment and the growth in global trade being particularly crucial. In 2013, the global market for industrial trucks expanded by around 7 per cent, reaching a record level of more than one million new trucks ordered. This was primarily driven by a recovery of demand in China and North America. Given the positive economic prospects and more optimistic investment climate, the KION Group anticipates a further increase, albeit moderate, in the worldwide market volume in 2014. The major driving forces are likely to be the further stabilisation of demand in western Europe, a sustained uptrend in North America and growth in fast-growing Asian and eastern European markets.

Market expectations are also positive over the longer-term perspective. Based on current macroeconomic forecasts and in view of the rise in global trade volumes, the KION Group predicts an average annual growth rate (in units) of about 4 per cent for the global market over the next few years and does not expect there to be significant changes in the proportion of total revenue generated by each product segment.

Expected business situation and financial performance

The KION Group aims to unlock the full potential of the western European markets and emerging markets in 2014.

The KION Group expects a slight increase in both its order intake and its consolidated revenue compared with 2013. Contributing factors here will be a recovery of the markets in western Europe and increased market share, above all in fast-growing markets, where the KION Group also wants to build on its strong position. Service business in western Europe and the emerging markets will continue to play a significant role in 2014. From a regional perspective, the KION Group expects Asia, eastern Europe and the United States to provide particularly strong impetus, assuming only moderate exchange-rate fluctuations.

Based on market expectations, the Group forecasts a significant year-on-year rise in adjusted EBIT resulting from the anticipated rise in revenue and further improvements to processes and cost structures, for example in sales and development.

The margin is also likely to increase compared with 2013 owing to the Group's continued ability to command higher prices, a more favourable cost situation following the closure of the Merthyr Tydfil plant, implementation of the modular strategy and better production capacity utilisation at existing plants. In addition, the forecast is based on the assumption that the cost of materials will rise only moderately and that there will be negative currency effects.

Free cash flow is also expected to be considerably higher in 2014 than in the previous year. The main factor will be cash flow from operating activities, which will be boosted by increased EBIT, among other things. Taxes that were paid in 2013 in connection with the sale of the hydraulics business will not be due in 2014. With regard to cash flow from investing activities, the KION Group anticipates higher capital expenditure than in 2013.

Expected financial position

The KION Group improved the maturity profile of its borrowing in February 2013 by issuing a bond and then significantly reduced its debt in June when it made its initial public offering. These measures, combined with its good operating performance, meant that the KION Group had reduced net debt to below €1 billion by the end of 2013.

The Group intends to continue down this path in 2014, using cash flow from operating activities to further lower net debt and further optimising its capital structure and funding structure.

Overall statement on expected performance

The basis for the long-term success of the KION Group is the strong position occupied by its global and regional brands in western Europe and the emerging markets. The global brands Linde Material Handling and STILL, in particular, safeguard their technology leadership and underline their status as premium brands by maintaining high levels of capital expenditure and R&D spending.

Overall, the KION Group is forecasting profitable growth for 2014 and aims to achieve a sustained improvement in its market positions worldwide. The successful IPO in 2013 lays the foundations for further optimisation of the Group's financial position.

RISK REPORT

Risk strategy

The business activities of the KION Group necessarily involve risk. Dealing responsibly with risk and managing it in a comprehensive manner is an important element of corporate management. The overarching aim is to fully harness business opportunities while ensuring that risk always remains under control. Using its groupwide risk management system, the KION Group contains all identified risks by implementing suitable measures and takes appropriate precautions. This ensures that the losses expected if these risks arise will be largely covered and therefore will not jeopardise the Company's continuation as a going concern.

At the KION Group, risk management has always been embedded in the Accounting & Finance function and now plays an active and wide-ranging role due to the strategic focus of Accounting & Finance. The operational units' business models, strategic perspectives and specific plans of action are examined systematically.

Principles of risk 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 captured and evaluated.

The risk management process is organised on a decentralised basis. Firstly, a groupwide 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. Each risk is documented in a specially developed module within the internet-based reporting system that is used for the entire planning and reporting process. Risks affecting more than one Group company, such as market risks, competition risks, financial risks and risks arising from financial services are not recorded individually but are instead evaluated at Group level. Consequently, such risks are not quantified.

The scope of consolidation for risk management purposes is the same as the scope of consolidation for the consolidated financial statements. The risks reported by the individual companies are combined to form 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, the relevant departments of the holding company are consulted each quarter in order to identify and assess risk – particularly Company-wide, cross-brand risk affecting areas such as treasury, purchasing, tax, human resources and financial services. The Executive Board of KION GROUP AG and the Supervisory Board's Audit Committee are informed of the Group's risk position once a quarter. The Internal Audit department audits the risk management system at regular intervals.

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

Principles

The main objectives of the 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 and internal instructions. This includes verifying that the consolidated financial statements and group management report comply with the relevant accounting standards. 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 and group management report; the relevant changes are then incorporated into the Group's internal policies and systems.

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

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

The employees involved in the Group'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. Monthly checklists have been drawn up for the consolidation process and are worked through in a standardised manner. All postings are managed centrally and documented. This team also monitors the system-based controls and supplements them with manual checks. The entire accounting process contains a number of specific approval stages, for which extensive plausibility checks have been set up. Employees with the 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;
- correctness of the accounting (and of the financial reporting that is based on the accounting) in terms of form and substance.

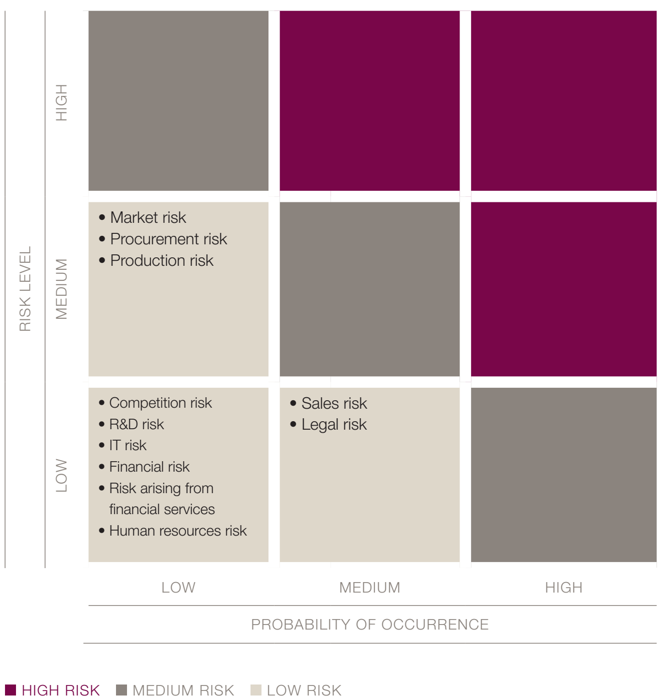
Internal control mechanisms and ongoing analysis of the regulatory framework enable any risks that might jeopardise compliance of the consolidated financial statements and group management report with accounting standards to be identified as soon as possible so that appropriate countermeasures can be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

Risks

Aggregate risk

In 2013, the KION Group's overall risk position improved substantially compared with the previous year due to repayment in full of the acquisition finance. With regard to 2014, the risks in the risk matrix below will be continually observed and evaluated. For example, we consider the probability of market risk materialising as low because of the fairly positive market expectations. However, the possible impact of market risk continues to be rated at a medium risk level because of the importance of the market for the KION Group's business situation and financial performance. As things stand at present, there are no indications of any risks that could jeopardise the Company's continuation as a going concern. >> ***DIAGRAM 004***

Risk matrix *>> DIAGRAM 004*



The market risks and competition risks described, the risks along the value chain, the human resources risks and the legal risks largely relate to the Linde Material Handling and STILL segments. By contrast, risks arising from financial services mainly affect the Financial Services segment, while financial risks predominantly impact on the Other segment.

Market risks and competition risks

Market risk can arise when the economy as a whole or a particular sector does not perform as well as had been anticipated in the outlook. Cyclical fluctuations in macroeconomic activity affect the market for industrial trucks. Customers' decisions on whether to invest, particularly in new trucks, depend to a large degree on the macroeconomic situation and conditions in their particular sector. During an economic downturn, customers tend to postpone their purchases of new trucks. Although demand for services is less cyclical, it correlates with the degree of utilisation in the truck fleet – which usually declines during difficult economic periods. As the KION Group can only adjust its fixed costs to fluctuations in demand to a limited extent, reductions in revenue impact on earnings.

Despite the KION Group's strong growth in emerging markets, the proportion of revenue it earns in the eurozone remains high. As a result, the market conditions that prevail there impact significantly on the KION Group's financial performance. Although economic performance has stabilised somewhat, the eurozone remains susceptible to disruption. Doubts surrounding the stability of the financial system and the ability of the single currency to survive have not been allayed, either. Overall, these factors could reduce eurozone customers' willingness to invest and consequently the demand for the KION Group's products.

Slower than forecast macroeconomic growth in emerging markets could also have a negative impact on global trade volumes and thus on growth in the material handling market.

Various measures aimed at making cost structures more flexible – such as the consolidation of production facilities – help to contain the earnings risk arising from reductions in revenue caused by economic conditions. Diversification of the customer base in terms of industry and region as well as expansion of service activities also play a role in mitigating risk. Moreover, the KION Group closely monitors the market and its competitors so that it can identify market risks at an early stage and adjust its production capacities in good time. Besides global economic growth, the KION Group also analyses exchange rates, price stability, the consumer and investment climate, foreign trade activity and political stability in its key sales markets. The risk management function continually analyses the possible impact of the situation in the eurozone on the Group's financial position and financial performance. In addition to ongoing screening and monitoring, the risk reports regularly include a separate assessment of the risks arising from the sovereign debt crisis.

Competition risk describes the risk that growing competitive pressure will prevent the KION Group from achieving its predicted margins and market share. The markets in which the KION Group operates are characterised by strong competition, often price-driven. Manufacturers from Asia have cost advantages in production due to the currency situation and also because local labour costs are lower. Competition is therefore fierce, particularly in the lower and middle price segments, and the impact is especially strong in emerging markets. Building on their local competitive advantages, Asian manufacturers – above all those in China – are also looking for opportunities to expand. Although the high quality expectations and service needs of customers in developed markets present a barrier to growth for many of these manufacturers, this situation is likely to intensify competitive pressures in future.

It is also conceivable that competitors will join forces and their resulting stronger position will be detrimental to the KION Group's sales opportunities. Moreover, predictions of higher volumes and margins may lead to overcapacity, which would put increased pressure on prices.

Although the KION Group's strengths have enabled it to charge appropriate prices until now, it is taking a variety of steps to contain competition risk. Alliances, partnerships, acquisitions and other measures are playing an increasing role in improving the KION Group's competitiveness in terms of resources, market access and product range. The steps that the KION Group is taking to mitigate its competition risk also include making its plants more efficient and securing low-cost sources of supply.

The KION Group also continually evaluates its options for strengthening and consolidating its position in emerging markets, in particular through strategic partnerships, the creation of joint ventures or acquisition of local manufacturers. One of the risks of such alliances and acquisitions is that the expected benefits will materialise only partly or not at all. For example, the organisational integration of new units can harm financial performance for a variety of reasons. It is also possible that a partner will collaborate with competitors if exclusivity agreements are not in place.

Other risks arise as a result of constant changes in the Company's political, legal and social environment. Because it operates in countries in which the political or legal situation is uncertain, the KION Group is exposed to the consequent risk of government regulation, capital controls and expropriations. The KION Group mitigates such strategic risks by, for example, carrying out in-depth market research, conducting thorough evaluation procedures to assess political and economic conditions and drafting contracts appropriately.

Risks along the value chain

Research and development risks: The KION Group's market position and business performance depend to a large extent on its ability to remain a leading provider of technology. This requires the Group to continually develop products that meet customer expectations and comply with changing regulatory and technological requirements. To this end, the KION Group must anticipate customers' needs and quickly bring new products to market. If the Company does not succeed in doing this, its technological and competitive position could be compromised in the long term.

The innovations developed by the KION Group are comprehensively protected by intellectual property rights, in particular patents. Nevertheless, there is always the possibility that products or product components will be imitated. There is also a risk that patent applications will not be successful.

The KION Group contains research and development risk by focusing firmly on customer benefit when developing products. Close collaboration between sales and development units ensures that customer needs are incorporated into the development process on an ongoing basis.

Procurement risks: Procurement activities constitute a potential risk for the KION Group in terms of the lack of availability of parts and components for logistical or quality reasons and the rising cost of raw materials, energy, base products or intermediate products. As a result, there is always the possibility that the KION Group will face backlogs in the supply of individual raw materials and components. KION obtains some of its key components, such as combustion engines, tyres, high-performance forged and electronic parts, from a limited number of core suppliers.

The risk of supply bottlenecks – for example in the event of a shortage of raw materials or financial difficulties at core suppliers – cannot be ruled out in future. The KION Group mitigates this risk through appropriate diversification of its supplier structure in the context of a global procurement organisation. In addition, the supplier development department, which focuses on improving suppliers' production processes, helps suppliers to ensure that their processes are cost-efficient and offer excellent quality. To build its industrial trucks, Linde Material Handling requires hydraulic components that are manufactured by the affiliated company Linde Hydraulics. Because LMH is highly dependent on these components, their supply is secured by detailed long-term contractual agreements. LMH also has access to patents and other intellectual property rights that are important to its business activities.

Price changes present another procurement-related risk. In 2013, around 26.4 per cent of the cost of materials for new trucks was directly influenced by changes in commodity prices. Moreover, conditions on the commodity markets typically affect component prices after a delay of three to six months. The KION Group endeavours to pass on price increases to customers but cannot always do so entirely due to market pressures.

Production risks are largely caused by quality problems, possible operational disruptions or production downtime at individual sites. In such cases, the KION Group's closely integrated manufacturing network presents a heightened risk to its ability to deliver goods on time. There is also a risk that structural measures and reorganisation projects will not be implemented owing to disruption of production or strikes. Delays in delivery or a rise in the number of complaints could harm the KION Group's premium positioning and, as a result, its financial situation.

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. To mitigate risks resulting from restructuring measures, the KION Group undertakes such measures only after a comprehensive planning process and works closely with employee representatives to ensure HR measures are implemented with the minimum possible social impact.

The main **sales risks** – besides a drop in revenue caused by market conditions – result from dependence on individual customers and sectors. For example, it is possible that customers would postpone or cancel orders during a period of economic difficulty. There have not been any significant cancellations in previous years, however. It is also conceivable that customers would face a liquidity shortfall and therefore be unable to fulfil their payment obligations immediately or even at all. Currently, there is little dependence on individual sectors in the KION Group's customer portfolio. The KION Group's reliance on individual customers also remains low. Its business is also highly diversified from a regional perspective. In addition, the KION Group supplies companies of all sizes. Experience has shown that the KION Group's exposure to the risk of possible payment defaults is low, but this risk can be further mitigated by recovering any collateral.

IT risks: A high degree of interconnectedness between sites and with customers and other companies means that KION also relies on its IT systems working flawlessly. The KION Group undertakes ongoing further development of a reliable, extendable and flexible IT system environment with the aim of countering any IT-related risks that may arise from the failure of IT systems and IT infrastructure. Internal IT resources are pooled in KION Information Management Services GmbH, which has well-established processes for portfolio management and project planning and control. Independent external audits are conducted to provide additional quality assurance. Various technical and organisational measures protect the data of the KION Group and its Group companies against unauthorised access, misuse and loss. These measures include procedures to validate and log access to the Group's infrastructure.

Financial risks

Group Treasury is responsible for ensuring that sufficient financial resources are always available for the KION Group's international growth. The main types of financial risk managed by Group Treasury, including risks arising from funding instruments, are liquidity risk, currency risk, interest-rate risk 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.

The KION Group reduced its financial risk considerably during the year under review by increasing its equity and repaying the acquisition finance in full. Long-term borrowing by the KION Group consists of two secured corporate bonds with a total volume of €975.0 million, which are due to mature in 2018 and 2020, and a revolving loan facility of €1,045.0 million, which will mature in mid-2018. Taking into account the other loan obligations of individual foreign companies and contingent liabilities, €184.4 million of this amount was being utilised in the form of loans and guarantees as at 31 December 2013. This meant that undrawn credit lines amounted to €860.6 million. Risk arising out of the more favourable lending conditions that have been agreed were not regarded as material as at 31 December 2013. The more favourable conditions, which were agreed as part of the IPO, particularly relate to the restrictions in respect of complying with financial covenants and upper limits for certain transactions and in respect of the obligation to submit special regular reports. The KION Group complied with all the lending covenants in the reporting year.

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

The KION Group only uses derivatives to hedge underlying operational transactions; they are not used for speculative purposes. It is exposed to currency risk because of the high proportion of its business conducted in currencies other than the euro. Normally, at least 50.0 per cent of the currency risk related to the planned operating cash flows based on liquidity planning is hedged by currency forwards in accordance with the relevant guideline. The interest-rate swaps and currency swaps that had been used in 2012 to hedge interest-rate risk and currency risk arising out of acquisition finance had been terminated in connection with the repayment of this finance by the middle of 2013.

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.

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.

Goodwill and the brands represented 34.7 per cent of total assets as at 31 December 2013 (31 December 2012: 33.3 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.

The individual Group companies directly manage counterparty risks involving customers. These counterparty risks have not changed significantly, despite the financial crisis. Each individual Group company has established a credit management system for identifying customer-related counterparty risks at an early stage and initiating the necessary countermeasures. Analysis of the maturity structure of receivables is an integral element of monthly reporting.

Risks arising from financial services

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. The KION Group 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 include the demand for used trucks, which stabilises the residual values of the KION Group's 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 financial results in 2013. Groupwide 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 and by constantly updating its liquidity planning. Long-term leases are primarily based on fixed-interest agreements. The credit facilities provided by various banks and an effective dunning process ensure that the Group has sufficient liquidity.

In order to exclude currency risk, the KION Group 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 Group. The KION Group has not identified any material changes between 2012 and 2013. The Group also mitigates any losses from defaults by its receipt of the proceeds from the sale of repossessed trucks. In addition, receivables management has been improved by enhancing the dunning process. The credit portfolio management system was updated during 2013. Besides the design of the business processes, it also encompassed the risk management and control processes.

Moreover, the KION Group offers the majority of financial services indirectly via selected financing partners that bear the risks of the finance transaction. As far as these financial services are concerned, the KION Group bears the counterparty risk in under 3 per cent of cases.

Human resources risks and legal risks

The KION Group relies on having highly qualified managers and experts in key roles. If they left, it could have a long-term adverse impact on the Group's prospects.

That is why the KION Group actively engages in HR work aimed at identifying and developing young professionals with high potential who already work for the Company and retaining them over the long term, thereby enabling succession planning for key roles across the Group. The KION Group also positions itself in the external market as an employer of choice. 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.

Restructuring measures may result in a risk of strikes and reactions of other kinds by the workforce. As demonstrated several times in the past, this risk is contained by collaborating closely with employee representatives and, if job losses are necessary, taking comprehensive steps to ensure they are achieved with the minimum possible social impact.

The legal risks arising from the KION Group's business are typical of those faced by any company operating in this sector. The Group companies are a party in a number of pending lawsuits in various countries. The individual companies cannot assume with any degree of certainty that they will win any of the lawsuits or that the existing risk provision in the form of insurance or provisions will be sufficient in each individual case. However, the KION Group is not expecting any of these existing legal proceedings to have a material impact on its financial position or financial performance. These lawsuits relate, among other things, to liability risks, especially as a result of legal action brought by third parties because, for example, the Company's products were allegedly faulty or the Company allegedly failed to comply with contractual obligations. Further legal risk may arise as a result of the environmental restoration of sites that have been shut down in recent years, for example work required due to contamination. Any damage to the environment may lead to legal disputes and give rise to reputational risk.

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 avoid 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.

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

OPPORTUNITY REPORT

Management of opportunities

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

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

Categorisation of opportunities

By 'opportunities', we mean positive deviations from the expectations set out in the outlook relating to the economic situation and the KION Group's position. Opportunities are divided into three categories:

Market opportunities describe the potential resulting from trends in the market and competitive environment and from the regulatory situation.

Strategic opportunities are based on implementation of the Group's strategy. They may lead to positive effects that exceed planning assumptions.

Business-performance opportunities arise in connection with operational activities along the value chain, such as restructuring or cost-cutting measures.

Opportunity situation

Market opportunities

The economy as a whole may perform better than expected in 2014. For example, the eurozone might stabilise at a faster rate than predicted by economic research institutes. This could also have a positive impact on growth rates in eastern Europe and other emerging markets. Moreover, circumstances may occur in the wider market at any time – such as quality problems at competitors or the effects of consolidation – that boost demand for products from the KION Group brands. New, unforeseen regulatory initiatives could be launched, for example the tightening of health and safety regulations or emissions standards, that would push up demand for the premium products offered by the KION Group brands. Average prices for procuring commodities over the year may be cheaper than anticipated.

Medium- to long-term market opportunities are presented, in particular, by:

- growing demand for intralogistics products and services as a consequence of globalisation, industrialisation and fragmentation of supply chains;
- high demand for replacement investments, especially in developed markets;
- the trend towards outsourcing service functions to industrial truck manufacturers;
- the trend towards trucks powered by electric motors – one of the KION Group's particular strengths.

Strategic opportunities

The realisation of strategic opportunities is already largely reflected in the expectations regarding the KION Group's financial performance in 2014. Nonetheless, its actual performance may be even more positive if the effects of individual measures exceed expectations. New strategic opportunities that were not part of the planning may arise over the course of the year, for example acquisitions and strategic partnerships.

The KION Group's medium- to long-term strategic opportunities arise, in particular, from:

- strengthening of its market-leading position in core western European markets, especially in view of its leading technology and high proportion of customer-specific fittings;
- expansion of the service portfolio at every stage of the product lifecycle, taking advantage of the high number of trucks in use;
- harnessing of market potential in fast-growing regions;
- expansion of business in North America.

Business-performance opportunities

The expected consequences of the planned measures for increasing efficiency and restructuring – such as the closure of the plant in Merthyr Tydfil, which was the final phase in the restructuring of the European production sites – and the harnessing of intra-group synergies have also been incorporated into the 2014 forecast. Nevertheless, effects might occur that are better than had been expected.

The following occurrences may lead to profitability increases in the medium term:

- ongoing efficiency increases at production sites;
- use of global development capacities and product ranges;
- modular and platform strategy for products across the Group.

Consolidated Financial Statements

Consolidated income statement

Consolidated income statement >> *TABLE 033*

in € million	Note	2013	2012*
Revenue	[8]	4,494.6	4,726.7
Cost of sales		–3,255.2	–3,430.8
Gross profit		**1,239.4**	**1,295.9**
Selling expenses		–538.2	–562.5
Research and development costs		–113.6	–124.5
Administrative expenses		–290.0	–313.2
Other income	[9]	121.7	297.0
Other expenses	[10]	–46.7	–59.5
Profit from at-equity investments	[11]	1.7	15.9
Earnings before interest and taxes		**374.2**	**549.1**
Financial income	[12]	48.5	40.5
Financial expenses	[13]	–268.4	–278.7
Net financial expenses		**–219.8**	**–238.2**
Earnings before taxes		**154.3**	**310.9**
Income taxes	[14]	**–15.9**	**–149.5**
Current taxes		–59.0	–122.1
Deferred taxes		43.1	–27.4
Net income		**138.4**	**161.4**
Attributable to shareholders of KION GROUP AG		138.8	159.3
Attributable to non-controlling interests		–0.4	2.1
Earnings per share according to IAS 33 (in €)	[16]		
Basic earnings per share		1.69	2.52
Earnings per share – diluted		1.69	2.52

* Adjusted due to the retrospective application of IAS 19R (2011), for details see also 'Accounting policies'

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income >> TABLE 034

in € million	Note	2013	2012*
Net income		**138.4**	**161.4**
Items that will not be reclassified subsequently to profit or loss		**0.7**	**–152.3**
Gains / losses on employee benefits	[28]	0.7	–152.3
thereof changes in unrealised gains and losses		1.8	–215.4
thereof tax effect		–1.1	63.1
Items that may be reclassified subsequently to profit or loss		**–16.7**	**8.8**
Impact of exchange differences		–34.0	2.8
thereof changes in unrealised gains and losses		–34.4	2.8
thereof realised gains (–) and losses (+)		0.4	0.0
Gains / losses on cash flow hedges	[37]	17.4	6.1
thereof changes in unrealised gains and losses		66.3	27.3
thereof realised gains (–) and losses (+)		–41.4	–19.7
thereof tax effect		–7.5	–1.6
Gains / losses from at-equity investments		–0.1	–0.0
thereof changes in unrealised gains and losses		–0.1	–0.0
Other comprehensive loss		**–15.9**	**–143.5**
Total comprehensive income		**122.5**	**17.9**
Attributable to shareholders of KION GROUP AG		123.1	15.9
Attributable to non-controlling interests		–0.6	2.0

* Adjusted due to the retrospective application of IAS 19R (2011), for details see also 'Accounting policies'

Consolidated statement of financial position

Consolidated statement of financial position – Assets *>> TABLE 035*

in € million	Note	2013	2012*
Goodwill	[17]	1,494.7	1,473.2
Other intangible assets	[17]	934.0	934.0
Leased assets	[18]	251.9	191.3
Rental assets	[19]	461.2	395.1
Other property, plant and equipment	[20]	499.4	500.3
At-equity investments	[21]	138.6	154.8
Lease receivables	[22]	308.8	267.1
Other non-current financial assets	[23]	51.7	50.2
Deferred taxes	[14]	295.5	264.9
Non-current assets		**4,435.8**	**4,231.0**
Inventories	[24]	511.8	549.9
Trade receivables	[25]	558.7	625.5
Lease receivables	[22]	170.8	132.1
Current income tax receivables	[14]	15.4	5.5
Other current financial assets	[23]	114.7	106.8
Cash and cash equivalents	[26]	219.3	562.4
Current assets		**1,590.7**	**1,982.2**
Total assets		**6,026.4**	**6,213.2**

* Adjusted due to the retrospective application of IAS 19R (2011), for details see also ‘Accounting policies’

Consolidated statement of financial position – Equity and liabilities *>> TABLE 036*

in € million	Note	2013	2012*
Subscribed capital		98.7	0.5
Capital contributions for carrying out the approved capital increase		–	1,132.6
Capital reserve		2,223.2	348.5
Retained earnings		–524.9	–650.7
Accumulated other comprehensive loss		–192.0	–176.3
Non-controlling interests		5.0	6.2
Equity	[27]	**1,610.0**	**660.7**
Retirement benefit obligation	[28]	560.1	547.6
Non-current financial liabilities	[29]	971.1	2,300.7
Lease liabilities	[30]	403.7	329.2
Other non-current provisions	[31]	76.5	87.7
Other non-current financial liabilities	[32]	392.1	355.1
Deferred taxes	[14]	306.2	308.8
Non-current liabilities		**2,709.8**	**3,929.0**
Current financial liabilities	[29]	227.5	51.8
Trade payables	[35]	550.5	646.0
Lease liabilities	[30]	213.3	145.8
Current income tax liabilities	[14]	27.7	85.0
Other current provisions	[31]	110.3	137.9
Other current financial liabilities	[32]	577.3	557.0
Current liabilities		**1,706.6**	**1,623.5**
Total equity and liabilities		**6,026.4**	**6,213.2**

* Adjusted due to the retrospective application of IAS 19R (2011), for details see also ‘Accounting policies’

Consolidated statement of cash flows

Consolidated statement of cash flows *>> TABLE 037*

in € million	Note	2013	2012
Earnings before interest and taxes		**374.2**	**549.1**
Amortisation, depreciation and impairment charges of non-current assets	[15]	334.6	365.3
Other non-cash income (–) and expenses (+)		14.9	–141.5
Gains (–)/losses (+) on disposal of non-current assets		–5.0	–103.8
Changes in leased assets (excluding depreciation) and lease receivables/liabilities	[18], [22], [30]	–65.8	–101.3
Change in rental assets (excluding depreciation)	[19]	–170.3	–165.5
Change in inventories	[24]	33.8	20.5
Change in trade receivables/payables	[25]	–17.2	52.9
Cash payments for defined benefit obligations	[28]	–25.1	–23.3
Change in other provisions	[31]	–45.0	–39.9
Change in other operating assets/liabilities		26.6	55.9
Taxes paid		–119.8	–54.4
= Cash flow from operating activities	[34]	**336.1**	**414.0**
Cash payments for purchase of non-current assets	[34]	–125.8	–155.1
Cash receipts from disposal of non-current assets	[34]	9.9	7.4
Dividends received		7.2	5.3
Interest income received		7.0	4.5
Acquisitions of subsidiaries, net of cash acquired	[5]	–25.1	–9.7
Divestments of subsidiaries, net of cash		0.0	259.7
Cash payments for sundry assets		–6.7	–8.0
= Cash flow from investing activities	[34]	**–133.5**	**104.1**

Consolidated statement of cash flows (continued)

>> TABLE 037

in € million	Note	2013	2012
Capital contribution from shareholders for the carried out capital increase	[34]	741.8	0.0
Acquisition of own shares	[27]	–5.6	0.0
Dividends paid to non-controlling interests		–2.1	–2.4
Cash payments from changes in ownership interests in subsidiaries without loss of control		–16.3	–10.2
Capital contributions for carrying out the approved capital increase		0.0	467.0
Financing costs paid	[34]	–56.3	–15.6
Proceeds from borrowings	[34]	1,095.9	7.7
Repayment of borrowings	[34]	–2,201.6	–664.6
Interest paid	[34]	–119.6	–129.7
Cash receipts for other financing activities		25.1	17.8
= Cash flow from financing activities	[34]	**–538.6**	**–330.1**
Effect of foreign exchange rate changes on cash and cash equivalents		–7.0	1.0
= Change in cash and cash equivalents		**–343.0**	**188.9**
Cash and cash equivalents at the beginning of the year	[34]	562.4	373.5
Cash and cash equivalents at the end of the year	[34]	219.3	562.4

Consolidated statement of changes in equity

Consolidated statement of changes in equity

in € million	Note	Subscribed capital	Contributions for carrying out the approved capital increase	Capital reserves
Balance as at 01/01/2012		**0.5**		**348.5**
Effects from first-time adoption IAS 19R*	[7]			
Balance as at 01/01/2012 (restated)		**0.5**		**348.5**
Net income for the year*				
Other comprehensive income (loss)*	[27]			
Comprehensive income (loss)		**0.0**	**0.0**	**0.0**
Capital increase	[27]		1,137.8	
Transaction costs	[27]		–5.2	
Dividends				
Effects from the acquisition/disposal of non-controlling interests	[27]			
Other changes				
Balance as at 31/12/2012 (restated)		**0.5**	**1,132.6**	**348.5**
Balance as at 01/01/2013		**0.5**	**1,132.6**	**348.5**
Effects from first-time adoption IAS 19R*	[7]			
Balance as at 01/01/2013 (restated)		**0.5**	**1,132.6**	**348.5**
Net income for the year				
Other comprehensive income (loss)	[27]			
Comprehensive income (loss)		**0.0**	**0.0**	**0.0**
Capital increase	[27]	98.4	–1,132.6	1,894.0
Transaction costs	[27]			–13.9
Dividends				
Acquisition of own shares	[27]	–0.2		–5.4
Effects from the acquisition/disposal of non-controlling interests	[27]			
Balance as at 31/12/2013		**98.7**		**2,223.2**

* Adjusted due to the retrospective application of IAS 19R (2011), for details see also 'Accounting policies'

>> TABLE 038

		Accumulated other comprehensive income (loss)						
	Retained earnings	Cumulative translation adjustment	Gains/losses on defined benefit obligation	Gains/losses on cash flow hedges	Gains/losses from equity investments	Equity attributable to shareholders of KION GROUP AG	Non-controlling interests	Total
	–806.4	**–35.5**	**20.9**	**–23.0**	**0.4**	**–494.7**	**7.1**	**–487.6**
	–3.3		4.3			1.0		1.0
	–809.8	**–35.5**	**25.2**	**–23.0**	**0.4**	**–493.6**	**7.1**	**–486.5**
	159.3					159.3	2.1	161.4
		2.8	–152.2	6.1	–0.0	–143.4	–0.0	–143.5
	159.3	**2.8**	**–152.2**	**6.1**	**–0.0**	**15.8**	**2.0**	**17.9**
						1,137.8		1,137.8
						–5.2		–5.2
							–2.4	–2.4
	–0.4					–0.4	–0.5	–1.0
	0.2					0.2		0.2
	–650.7	**–32.8**	**–127.0**	**–16.9**	**0.4**	**654.5**	**6.2**	**660.6**
	–647.7	**–32.8**	**–130.4**	**–16.9**	**0.4**	**654.2**	**6.2**	**660.3**
	–3.0		3.4			0.3		0.3
	–650.7	**–32.8**	**–127.0**	**–16.9**	**0.4**	**654.5**	**6.2**	**660.7**
	138.8					138.8	–0.4	138.4
		–33.7	0.7	17.4	–0.1	–15.7	–0.2	–15.9
	138.8	**–33.7**	**0.7**	**17.4**	**–0.1**	**123.1**	**–0.6**	**122.5**
						859.9		859.9
						–13.9		–13.9
							–2.1	–2.1
						–5.6		–5.6
	–13.0					–13.0	1.6	–11.4
	–524.9	**–66.5**	**–126.3**	**0.5**	**0.3**	**1,605.0**	**5.0**	**1,610.0**

Notes to the consolidated financial statements

Basis of presentation

[1] GENERAL INFORMATION ON THE COMPANY

At the Shareholders' Meeting on 25 April 2013, it was decided to transform KION Holding 1 GmbH, whose registered office is at Abraham-Lincoln-Strasse 21, 65189 Wiesbaden, Germany, into a public limited company with the name KION GROUP AG. The transformation became legally effective when KION GROUP AG was entered in the commercial register at the Wiesbaden local court under reference HRB 27060 on 4 June 2013. KION GROUP AG is the parent company of the KION Group in Germany. Superlift Holding S.à r.l., Luxembourg, was the parent company of KION GROUP AG as at 31 December 2013.

The KION Group is a leading global supplier of industrial trucks (forklift trucks and warehouse trucks). It generated revenue of €4,494.6 million in the 2013 financial year from its Linde, Fenwick, STILL, OM-STILL, Baoli and Voltas brands (2012: €4,726.7 million).

The consolidated financial statements and the group management report were prepared by the Executive Board of KION GROUP AG on 10 March 2014.

[2] BASIS OF PREPARATION

The consolidated financial statements of the KION Group for the financial year ended 31 December 2013 have been prepared in accordance with section 315a of the German Commercial Code (HGB) in conjunction with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB) applicable as at the reporting date as well as the associated interpretations (IFRICs) of the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council concerning the application of international accounting standards. All of the IFRSs and IFRICs that had been enacted by the reporting date and that were required to be applied in the 2013 financial year have been applied in preparing the consolidated financial statements. In addition, the changes to the disclosure requirements pursuant to IAS 36 'Impairment of Assets' for non-financial assets, which must be adopted for financial years commencing on or after 1 January 2014, were adopted in advance.

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

The consolidated financial statements are prepared in euros, which is the Group's functional currency and reporting currency. All amounts are disclosed in millions of euros (€ million) unless stated otherwise (disclosed in thousands of euros in the 2012 report). The addition of the totals presented may result in rounding differences of +/−€0.1 million. The percentages shown are calculated on the basis of the respective amounts, rounded to the nearest thousand euros. The separate financial statements included in the consolidation were prepared as at the same reporting date as the annual financial statements of KION GROUP AG.

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

The following financial reporting standards were adopted for the first time in 2013:

- Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards': amendments relating to fixed transition dates and severe hyperinflation
- Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards': amendments relating to government loans with a below-market rate of interest

- Amendments to IFRS 7 'Financial Instruments: Disclosures': offsetting of financial assets and financial liabilities
- IFRS 13 'Fair Value Measurement': The publication of IFRS 13 'Fair Value Measurement' introduces a separate standard containing general rules on the measurement of fair value. The KION Group applied these rules for the first time in the 2013 financial year. The main impact of this is enhanced disclosures in the notes to the financial statements.
- Amendments to IAS 1 'Presentation of Financial Statements': amendments relating to the presentation of items of other comprehensive income. The amended IAS 1 results in a revised presentation of the statement of comprehensive income. Following the amendment to the standard, the items of other comprehensive income and loss must be split into items that will never be reclassified to profit or loss and items that might be reclassified to profit or loss in future periods.
- 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. The effects of the amendments to IAS 19 are described in note [7] 'Accounting policies'.
- Amendments to IAS 36 'Impairment of Assets': clarification of recoverable amount disclosures required for non-financial assets
- IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine'
- Annual Improvements to IFRSs (2009-2011).

The first-time adoption of these standards and interpretations has had no significant effect on the presentation of the financial performance, financial position or notes to the financial statements of the KION Group.

Financial reporting standards released but not yet adopted

In its consolidated financial statements for the year ended 31 December 2013 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 2013:

- Amendments to IFRS 7 'Financial Instruments: Disclosures': disclosures about the transition to IFRS 9 'Financial Instruments'
- IFRS 9 'Financial Instruments'
- Amendments to IFRS 9 'Financial Instruments': mandatory effective date
- Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39
- IFRS 10 'Consolidated Financial Statements'
- Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 27 'Separate Financial Statements': amendments relating to the consolidation of investment entities
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)
- Amendments to IAS 19 'Employee Benefits': defined benefit plans: employee contributions
- 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
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement': amendments relating to the novation of derivatives and continuation of hedge accounting
- IFRIC 21 'Levies'
- Annual Improvements to IFRSs (2010 – 2012)
- Annual Improvements to IFRSs (2011 – 2013).

These standards and interpretations will only be applied by the companies included in the KION Group from the date on which they must be adopted for the first time.

We do not currently expect the first-time adoption of IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosure of Interests in Other Entities' to have any material effect on the presentation of the financial position or financial performance of the KION Group. The first-time adoption of IFRS 12 is likely to result in enhanced disclosures in the notes to the financial statements. The effects of the first-time adoption of the other standards and interpretations on the presentation of the financial position and financial performance of the KION Group are expected to be insignificant.

[3] PRINCIPLES OF CONSOLIDATION

Acquisitions are accounted for using the acquisition method. In accordance with IFRS 3, the identifiable assets and the liabilities assumed on the acquisition date are 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 acquisition cost, the amount of non-controlling interests in the acquiree and the fair value of all previously held equity interest at the acquisition date exceeds the fair value of the acquiree's net assets. If the cost of acquisition is lower than the fair value of the acquiree's net assets, the 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 value of the net assets attributable to them excluding goodwill.

In the case of acquisitions 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 that are likely to benefit from the business combination.

Transaction costs are immediately taken to income. 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 category, changes in their fair value are included 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 arising from consolidation transactions.

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

[4] BASIS OF CONSOLIDATION

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

In addition to KION GROUP AG, the consolidated financial statements of the KION Group include, using the acquisition method, all material subsidiaries in which KION GROUP AG 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 govern 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 on the basis of 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 GROUP AG holds between 20 per cent and 50 per cent of the voting rights.

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

The following table shows the number of equity investments broken down by category: >> TABLE 039

Shareholdings by categories >> TABLE 039

	01/01/2013	Additions	Disposals	31/12/2013
Consolidated subsidiaries	**98**	**6**	**5**	**99**
Domestic	19	4	1	22
Foreign	79	2	4	77
At-equity investments in Joint Ventures and Associates	**10**	**–**	**2**	**8**
Domestic	8	–	2	6
Foreign	2	–	–	2
Subsidiaries and financial investments at amortised cost	**39**	**14**	**–**	**53**
Domestic	7	6	–	13
Foreign	32	8	–	40

A total of 22 German and 77 foreign subsidiaries were fully consolidated in addition to KION GROUP AG as at 31 December 2013.

On 11 June 2013, Superlift Holding S.à r.l., Luxembourg, made a non-cash capital contribution – including all of the shares in Superlift Funding S.à r.l., Luxembourg – to KION GROUP AG as part of a capital increase. Superlift Funding S.à r.l. was therefore consolidated as part of the KION Group for the first time in June 2013.

In July 2013, the KION Group also acquired the remaining shares (45.7 per cent) in the French dealer Bretagne Manutention S.A. for a purchase consideration of €16.2 million. As a result, as at 31 December 2013, KION GROUP AG indirectly held all the capital and voting shares in Bretagne Manutention S.A., Pacé, France, via Fenwick-Linde S.à r.l., Elancourt. The shortfall of €13.0 million between the amount of the non-controlling interest and the fair value of the consideration paid is recognised in retained earnings.

Furthermore, in September 2013, the KION Group acquired the remaining shares (49.9 per cent) in the French dealer MANUSOM SAS for a purchase consideration of €0.4 million. As a result, as at 31 December 2013, KION GROUP AG indirectly held all the capital and voting shares in MANUSOM SAS, Rivery, via STILL SAS, Marne la Vallée, France.

Five insignificant subsidiaries were deconsolidated in 2013. In 2012, the KION Group sold and deconsolidated its controlling interest of 70 per cent in Linde Hydraulics GmbH & Co. KG, Aschaffenburg (referred to below as Linde Hydraulics), to Weichai Power Co., Ltd., Weifang, China (referred to below as Weichai Power). Linde Material Handling GmbH (referred to below as LMH GmbH) continues to hold the remaining 30 per cent. Linde Hydraulics is included in the scope of consolidation as an associate accounted for using the equity method.

Eight joint ventures and associates were accounted for under the equity method as at 31 December 2013 (31 December 2012: ten). Two insignificant equity investments are no longer accounted for using the equity method. In each case, measurement under the equity method was performed on the basis of the last available annual financial statements.

53 (2012: 39) companies with minimal business volumes or no business operations were not included in the consolidation. The unconsolidated subsidiaries and the associates not accounted for using the equity method are of minor importance to the presentation of the financial position and financial performance of the KION Group, both individually and as a whole.

Where other requirements are met, 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: >> TABLE 040

A detailed overview of all the direct and indirect shareholdings of KION GROUP AG is shown in the list of shareholdings in note [45].

German entities exempted from disclosure requirements >> TABLE 040

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

[5] ACQUISITIONS

In May 2013, STILL agreed to acquire 51.0 per cent of the capital and voting shares in Arser İş Makineleri Servis ve Ticaret A.Ş. (referred to below as Arser), which had previously acted as exclusive dealer for the important Turkish market. The transaction was closed on 14 August 2013. The acquisition has enabled the KION Group to further strengthen the leading position of STILL and the brand company's Turkish distribution and service network.

The incidental acquisition costs incurred by this business combination amounted to €0.3 million and have been recognised as an expense for the current period and reported as administrative expenses on the face of the consolidated income statement. The impact of this acquisition on the consolidated financial statements of KION GROUP AG based on the provisional figures available at the acquisition date is shown in *>> TABLE 041*.

Impact of the acquisition on the financial position of the KION Group *>> TABLE 041*

in € million	Arser Fair value as at 14/08/2013	Willenbrock Fair value as at 31/12/2013	Fair value at the acquisition date total
Goodwill	4.9	18.1	23.0
Other intangible assets	2.3	13.0	15.3
Leased/Rental assets	1.0	76.7	77.7
Lease receivables	20.2	17.8	38.0
Cash and cash equivalents	1.6	0.0	1.6
Other assets	15.1	37.7	52.8
Total assets	**45.1**	**163.3**	**208.4**
Financial liabilities	10.4	20.1	30.5
Lease liabilities	19.4	51.8	71.2
Other liabilities	9.3	56.1	65.4
Total liabilities	**39.0**	**128.0**	**167.1**
Total net assets	**6.0**	**35.3**	**41.3**
thereof non-controlling interests	0.6	4.5	5.0
Cash payment	5.5	21.3	26.7
Consideration transferred	**5.5**	**21.3**	**26.7**
Previously held share of equity (23 per cent in Willenbrock Fördertechnik Holding GmbH)	0.0	9.6	9.6
Total	**5.5**	**30.8**	**36.3**

The gross amounts of the receivables acquired as part of this transaction, which constitute trade receivables, totalled €5.8 million (including insignificant irrecoverable receivables). The acquisition has not had any material impact on the KION Group's revenue or net income (loss). If this business combination had been completed by 1 January 2013, this would have had no material impact on either the revenue or the net income (loss) reported by the KION Group for the first nine months of this year. The purchase price allocation for the acquisition described above was only provisional as at 31 December 2013 because some details, particularly in the area of leasing, had not yet been fully evaluated. Goodwill constitutes the strategic and geographical synergies that the KION Group expects to derive from this business combination. The goodwill arising from this acquisition is currently not tax deductible.

The KION Group acquired the German dealer Willenbrock on 31 December 2013 by purchasing 51.0 per cent of the capital and voting shares in Willenbrock Fördertechnik Holding GmbH, Bremen, Germany. Before this acquisition on 31 December 2013, the KION Group already held 23.0 per cent of the capital and voting shares in Willenbrock Fördertechnik Holding GmbH, Bremen. As at 31 December 2013, KION GROUP AG therefore indirectly held (via Linde Material Handling GmbH, Aschaffenburg, Germany) 74.0 per cent of the capital and voting shares in Willenbrock Fördertechnik Holding GmbH, Bremen (and, indirectly, in its subsidiaries). Through Willenbrock Fördertechnik Holding, Bremen, the KION Group holds significant equity investments in Willenbrock Arbeitsbühnen GmbH & Co. KG, Bremen (74.0 per cent), Willenbrock Fördertechnik GmbH & Co. KG, Bremen (74.0 per cent) and Willenbrock Fördertechnik GmbH & Co. KG, Hannover (74.0 per cent). Willenbrock – including its assets, equity and liabilities – was consolidated as a subsidiary of the KION Group for the first time as at 31 December 2013. The acquisition has enabled the KION Group to further strengthen the leading position of Linde and the brand's German distribution and service network.

The equity-accounted carrying amount of the investment in Willenbrock Fördertechnik Holding GmbH, Bremen, immediately prior to the acquisition date came to €2.6 million. Remeasurement of the investment of 23.0 per cent previously held resulted in a fair value of €9.6 million. The difference of €7.0 million was taken to income and recognised under the share of profit (loss) of equity-accounted investments in the consolidated income statement.

The incidental acquisition costs incurred by this business combination were insignificant and have been recognised as an expense for the current period and reported as administrative expenses in the consolidated income statement.

The impact of this acquisition on the consolidated financial statements of KION GROUP AG based on the final figures at the acquisition date is shown in >> TABLE 041.

The gross amounts of the receivables acquired as part of this transaction, which constitute trade receivables, totalled €12.8 million (of which from affiliated companies: €2.3 million). At the acquisition date, it was assumed that the trade receivables were fully recoverable. Consolidated revenue did not increase as a result of the acquisition on 31 December 2013. The net income (loss) reported for 2013 therefore does not contain any profit attributable to the entity acquired. If the business combination had been completed by 1 January 2013, this would have generated additional revenue of €90.8 million and additional net income of €1.8 million for the KION Group in 2013.

Goodwill constitutes the strategic synergies that the KION Group expects to derive from this business combination. The goodwill arising from this acquisition is currently not tax deductible.

[6] CURRENCY TRANSLATION

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 modified closing-rate method is used for currency translation.

The assets and liabilities of foreign subsidiaries, including goodwill, are translated at the middle spot exchange rate, i.e. at the average of the bid or offer rates on the reporting date. Income and expenses are translated at the average rate 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 taken to income and 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 at the rate prevailing on the transaction date. Currency translation differences are taken to income and recognised in other income/expenses.

The translation rates below were used for currencies that are material to the financial statements: >> TABLE 042

Major foreign currency rates in € >> TABLE 042

	Average rate		Closing rate	
	2013	2012	2013	2012
Australia (AUD)	1.3782	1.2420	1.5414	1.2693
Brazil (BRL)	2.8706	2.5114	3.2470	2.7033
Switzerland (CHF)	1.2308	1.2052	1.2276	1.2079
China (CNY)	8.1659	8.1138	8.3218	8.2218
United Kingdom (GBP)	0.8492	0.8112	0.8302	0.8129
Russia (RUB)	42.3328	39.9190	45.2175	40.3252
USA (USD)	1.3284	1.2863	1.3746	1.3197

[7] ACCOUNTING POLICIES

The accounting policies applied in these consolidated financial statements are fundamentally the same as those used for the year ended 31 December 2012. These consolidated financial statements are based on the financial statements of the parent company and its consolidated subsidiaries prepared in accordance with the standard accounting policies applicable throughout the KION Group.

Changes to accounting policies

The amendments in IAS 19R 'Employee Benefits' are required to be applied on a retrospective basis to financial statements for financial years commencing on or after 1 January 2013. In the KION Group, actuarial gains and losses, including deferred taxes, were already recognised in other comprehensive income (loss). It is not permitted to reclassify remeasurements recognised in other comprehensive income (loss) to profit or loss in future periods. Past service cost resulting from a retrospective plan amendment is recognised immediately in full. There are also additional disclosures required in the notes to the consolidated financial statements.

First-time adoption of the revised IAS 19 in the KION Group for the 2013 financial year has led to an overall decrease in retained earnings / net income of €3.3 million with effect from 1 January 2012. Firstly, this is the result of the revised definition of termination benefits, according to which partial-retirement bonus payments must be accumulated as other long-term benefits for employees on a pro-rata basis over the vesting period. This has led to an increase in retained earnings / net income of €1.8 million with effect from 1 January 2012. Secondly, because the amendment to IAS 19R requires the past service cost to be recognised immediately, retained earnings / net income declined by €0.8 million. Furthermore, alignment of the expected return on plan assets with the discount rate caused retained earnings / net income to fall by €4.3 million with effect from 1 January 2012, while there was an equivalent rise in gains / losses on employee benefits recognised in other comprehensive income (loss).

According to IAS 19R, the return on plan assets is assumed to equal the discount rate underlying the measurement of the defined benefit obligation. Net income for the 2012 financial year has also increased by €1.0 million, while other comprehensive income (after deferred taxes) has gone down by €1.0 million owing to the alignment of the expected return on plan assets with the discount rate. The change in the accounting treatment of provisions for partial retirement obligations has resulted in a decrease in net income (after income taxes) of €0.8 million for the 2012 financial year. The consequences of the above effects for the 2013 financial year were a rise of around €0.4 million in net income (after income taxes) and a decline of €1.4 million in other comprehensive income (loss).

Immediate recognition of past service cost from previous years led to an increase in the retirement benefit obligation of €1.1 million as at 31 December 2012 and of €1.0 million as at 31 December 2013.

Revenue recognition

Revenue is the fair value received for the sale of products and services and rental 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 accrue to the company and that it can be reliably measured. Other criteria may arise, depending on each individual transaction, such as:

Sale of goods

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 recognised pro rata over the term of the agreement. The term 'sale with risk' and the corresponding revenue recognition are discussed in the following section and in the section 'Rental assets'.

Rendering of services

Revenue from the rendering of 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). Revenue from long-term service agreements is therefore recognised on the basis of the average term of the service agreements and in line with progressive costs (constant margin).

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 provided by the Group, industrial trucks are also sold to finance partners who then enter into leases directly with the end customer ('indirect leasing'). 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 customer default guarantee ('sale with risk'), 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.

Interest income and royalties

Interest income is recognised pro rata temporis 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 temporis.

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 overheads, 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 expenditure 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 expenditure 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 expenses 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 expenses on pension provisions. The expected return on plan assets relating to pension provisions is also included in financial income.

Interest income and expenses 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 expenses 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 consolidated income statement under other financial income / expenses, provided they are dividends from subsidiaries carried at amortised cost.

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, Financial Services and Other segments on the basis of their characteristics and risk profile. The 2013 forecast, the budget for 2014, the medium-term planning for 2015 to 2016 and the KION Group's internal projections for 2017 to 2018 were drawn up on the basis of this segment structure.

The relevant CGUs for the purposes of goodwill impairment testing and the CGUs to which brand names have been allocated are the LMH and STILL segments and the Voltas Material Handling Private Limited, Pune, India CGU (referred to below as VMH), which is assigned to the Other segment. The Financial Services segment only generates a finance margin to cover costs and consequently has almost no impact on cash flow and does not earn any material excess profit. As a result, no goodwill from the original purchase price allocation (PPA) was allocated to this CGU when the new segment structure was defined in 2012 in accordance with IAS 36.87.

The recoverable amount of a CGU is determined by calculating its value in use on the basis of the discounted cash flow method. The cash flows forecast for the next five years are included in the calculation for the impairment test 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 2014, the medium-term planning for 2015/2016 and the projections for 2017 to 2018 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 (2012: 1 per cent). A growth rate of 5.0 per cent (2012: 3.0 per cent) was used for VMH on a perpetuity basis to take account of forecast trends for the high-growth market of India and the high level of inflation.

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 1.07 (2012: 1.08). Yield curve data from the European Central Bank (three-month average, rounded) was used; the risk-free interest rate as at 1 November 2013 was 2.75 per cent (2012: 2.5 per cent). The market risk premium derived from empirical studies of the capital markets was set at 5.75 per cent (2012: 6.0 per cent) and was within the bandwidth recommended by the technical committee for business valuation and administration (FAUB) of the German Institute of Auditors (IDW), which is 5.5 per cent to 7.0 per cent. The market risk premium decreased by 0.25 percentage points compared with 2012 owing to the increase in the risk-free base rate from 2.50 per cent to 2.75 per cent and the lower inflation forecast of 1.75 per cent (2012: 2.0 per cent) for Germany with a generally declining implied return on equity of currently 8.75 per cent. The assumed country risk was 0.28 per cent for the LMH CGU (2012: 0.20 per cent) and 0.45 per cent for the STILL CGU (2012: 0.50 per cent). A leverage ratio of 25.4 per cent (2012: 22.7 per cent) was calculated based on the capital structure determined for the peer group.

A leveraged beta of 1.06 (2012: 1.07) was used to determine the country-specific WACC for VMH. The risk-free interest rate for India as at 1 November 2013 was 8.9 per cent (2012: 8.7 per cent); the country-specific risk premium for India was set at 2.4 per cent (2012: 3.0 per cent). The WACC before tax, which is used to discount the estimated cash flows, was calculated at 10.5 per cent for LMH (2012: 10.7 per cent), 10.8 per cent for STILL (2012: 11.0 per cent) and 16.4 per cent (2012: 21.5 per cent) for VMH. The WACC after tax was 7.7 per cent for LMH (2012: 7.8 per cent), 7.9 per cent for STILL (2012: 8.0 per cent) and 14.9 per cent for VMH (2012: 15.8 per cent).

The impairment test carried out as at 31 December 2013 did not reveal any need to recognise impairment losses for the existing goodwill of the LMH, STILL and VMH CGUs. Based on the results of sensitivity analysis, we do not expect that significant impairment losses will 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 accumulated amortisation and all accumulated impairment losses. If events or market developments suggest impairment has occurred, impairment tests are carried out on the carrying amount of items classified as other intangible assets with a finite useful life. The carrying amount of an asset is compared with its recoverable amount, which is defined as the higher of its value in use and its fair value less 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. Brand names are not amortised because they have been established in the market for a number of years and there is no foreseeable end to their useful life. In accordance with IAS 36, they are tested for impairment at least once a year or 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 every period.

The brand name of VMH, which is allocated to the Other segment, is subject to a usage right with a contractually limited term and it will therefore be amortised over its useful life.

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 likelihood that the intangible asset will 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 overheads 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 accumulated amortisation and accumulated impairment losses. Internally generated intangible assets are not qualifying assets so finance costs are not capitalised. All non-qualifying development costs are expensed as incurred and reported on the income statement under research and development costs together with research costs and the amortisation on capitalised development costs.

The following useful lives are applied in determining the carrying amounts of other intangible assets: >> TABLE 043

Useful life of other intangible assets >> TABLE 043

	Years
Customer relationships / client base	4 - 10
Technology	10
Development costs	5 - 7
Patents and licences	3 - 15
Software	2 - 10

Leases / short-term rentals

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 nature (short-term rental) or long-term nature (leasing).

Companies in the KION Group enter into leases as lessors and as lessees. In line with IAS 17, these contracts are classified as finance leases if substantially all of the risks and rewards incidental to ownership of the leased / rental asset are transferred to the lessee. All other rentals and leases are classified as operating leases, again in accordance with IAS 17.

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.

Leased assets

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 in the statement of financial position. The leased assets are carried at cost and depreciated over the term of the underlying leases.

To fund leases, industrial trucks are generally sold to leasing companies. The industrial trucks are then leased back to companies in the KION Group (head lease), who sub-lease them to external end customers (described below as 'sale and leaseback sub-leases'). These long-term leases generally have a term of four to five years. If, in the case of sale and leaseback sub-leases, the risks and rewards incidental to the head lease are substantially borne by KION Group companies and are not transferred to the end customer, the corresponding assets are reported as non-current leased assets. However, if substantially the risks and rewards incidental to the head lease are transferred to the end customer, a corresponding lease receivable is recognised. In both cases, the funding items for these long-term customer leases, which are funded for terms that match those of the leases, are recognised as lease liabilities.

Rental assets

Rental assets are assets resulting from short-term rentals as well as industrial trucks in relation to which significant risks and rewards remain with the KION Group despite the trucks having been sold ('sale with risk').

In the case of short-term rentals, LMH and STILL brand companies rent industrial trucks to customers directly. Short-term rental agreements usually have a term of one day to one year. The significant risks and rewards remain with the LMH and STILL brand companies. The industrial trucks are carried at cost and depreciated over the normal useful life of between five and seven years, depending on the product group.

In an indirect leasing arrangement, industrial trucks are sold to finance partners who then enter into leases with end customers. If LMH and STILL brand companies provide material residual value guarantees or a customer default guarantee ('sale with risk'), 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. In this case, the trucks are recognised as assets in the statement of financial position at their cost on the date of the sale and written down to their guaranteed residual value, or zero, on a straight-line basis over the period until the residual value guarantee or the customer default guarantee expires. If the KION Group provides a residual value guarantee, an amount equivalent to the residual value obligation is recognised under other financial liabilities.

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 overheads. 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 as soon as the definition of a qualifying asset is met. As was the case in the previous year, there were no qualifying assets in 2013.

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.

Useful life of other property, plant and equipment >> TABLE 044

	Years
Buildings	10 - 50
Plant and machinery	3 - 15
Office furniture and equipment	2 - 15

The useful lives above are applied in determining the carrying amounts of items of property, plant and equipment. >> TABLE 044

KION Group companies also lease property, plant and equipment for their own use using finance leases, which are recognised as other property, plant and equipment. In this case, the lower of the fair value and present value of future lease payments is recognised at the inception of the lease. A corresponding liability to the lessor is recognised under other financial liabilities in the statement of financial position.

Property, plant and equipment covered by finance leases is depreciated over the shorter of its 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 property, plant and equipment is depreciated and the other financial liabilities are reversed over the useful life of the leased assets.

The difference between total finance lease liabilities and the fair value of the financed leased assets represents the finance charge which is recognised in the income statement over the term of the lease 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.

If there are certain indications of impairment of the property, plant and equipment, the assets are tested for impairment by comparing the residual carrying amount of the assets with their recoverable amount, 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 an 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-accounted investments

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

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 have been recognised on some loss carryforwards and interest carryforwards.

Deferred taxes are determined on the basis of the tax rates that will apply or have been announced 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 overheads and production-related depreciation directly attributable to the production process. Administrative costs and social insurance/employee benefits are included to the extent that they are attributable to the production process. Borrowing costs as defined by IAS 23 are not a component of cost as they 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.

Trade receivables

In the first period in which they are recognised, trade receivables categorised as loans and receivables (LaR) 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash, credit balances with banks and current financial assets that can be transformed into cash at any time and are only subject to a minor level of volatility.

Other financial assets

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

Under IAS 39 ('Financial Instruments: Recognition and Measurement'), financial assets are classified as financial assets held for trading and carried at fair value through profit or loss (FAHfT), financial assets carried at fair value through profit or loss upon initial recognition (FAFVtPL), available-for-sale financial assets (AfS), financial assets classified as loans and receivables (LaR) or held-to-maturity financial assets (HtM).

The KION Group did not designate any financial asset as carried at fair value through profit or loss (FAFVtPL) in the reporting year. The FAHfT category contains derivative financial instruments that do not form part of a formally documented hedge.

Available-for-sale financial assets (AfS) are carried at fair value. If they are equity investments for which no market price is available, they are carried at cost. Unrealised gains and losses, including deferred taxes, are reported in other comprehensive income (loss) until they are realised. The equity investments in subsidiaries that are reported in other non-current financial assets are carried at amortised 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.

In the first period they are recognised, other financial assets which are categorised as loans and receivables (LaR) 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.

Carrying amounts of financial assets 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 carried out to an appropriate extent. Reversals do not exceed the amortised cost that would have arisen if the impairment loss had not been recognised. In the case of debt instruments classified as available-for-sale financial assets (AfS), reversals of impairment losses are recognised in the income statement.

Held-to-maturity financial assets (HtM) are carried at amortised cost less impairment losses in accordance with the effective interest method. As in the previous year, the KION Group did not categorise any financial assets as HtM in the reporting year.

Derivative financial instruments

Derivative financial instruments are measured at their fair value and are reported as financial assets or financial liabilities as at the reporting date. They are initially recognised and derecognised in the financial statements on their settlement dates.

Derivative financial instruments in the KION Group comprise currency forwards and interest-rate swaps and are used for hedging purposes to mitigate currency and interest-rate risks. In addition, the options on the remaining shares in Linde Hydraulics are reported as derivative financial instruments (see note [35]).

In accordance with IAS 39 (Financial Instruments: Recognition and Measurement), all derivative financial instruments must be 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 currency 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 in notes [35] and [36].

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.

Remeasurements, including deferred taxes, are recognised in other comprehensive income (loss). It is not permitted to reclassify remeasurements recognised in other comprehensive income (loss) to profit or loss in future periods. The cost of additions to pension provisions is allocated to functional costs. The interest cost on pension obligations and the interest income from plan assets are netted and reported in net financial income/expenses. Further details can be found in note [28].

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 likely to lead to a future outflow of resources and that can be reliably estimated. Where there is a range of possible outcomes and each individual point within the range has an equal probability of occurring, a provision is recognised in the amount of the mean of the individual points. Measurement is at full cost. 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. Recourse claims are not taken into account. The settlement amount also includes cost increases identifiable as at the reporting date. Provisions with a maturity of more than twelve months are discounted using the standard market interest rate. The discount rate is a before-tax 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 expenses.

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

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.

Share-based payments

IFRS 2 distinguishes between equity-settled and cash-settled share-based payment transactions.

The portion of the fair value of cash-settled share-based payments that is attributable to service provided up to the valuation date is recognised as an expense in functional costs and is also reported under other provisions. The fair value is recalculated on each reporting date until the end of the performance period. Any change in the fair value of the obligation must be recognised (pro rata) as an expense.

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.

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 realised may differ from estimates. Assumptions and estimates are applied in particular:

- 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;
- in measuring options;
- in the recognition and measurement of 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 units to which goodwill is allocated, applying the budget for 2014 and the medium-term planning for 2015 to 2016 combined with the growth predicted in the market forecasts for the projections for 2017 to 2018 and assuming division-specific growth rates for the period thereafter. Any material changes to these and other factors might result in the recognition of impairment losses. Further information on goodwill can be found earlier in this note and in note [17].

Information on leases can be found in the sections on leases/short-term rentals, leased assets, rental assets and other property, plant and equipment in this note.

Defined benefit pension obligations are calculated on the basis of actuarial parameters. As differences due to remeasurements are taken to 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 significant material assumptions, please refer to the information about the retirement benefit obligation in note [28].

Significant estimates are involved in calculating provisions for tax. These estimates may change on the basis of new information and experience (see also note [14]). Where necessary, the KION Group's accounting departments receive assistance from external legal advisors 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 [31].

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.

The impact of a change to an estimate is recognised in profit or loss prospectively when it becomes known and assumptions are adjusted accordingly.

Notes to the consolidated income statement

[8] REVENUE

The revenue generated by the KION Group in the year under review broken down by product category is as follows: >> TABLE 045

Revenue by product category >> TABLE 045

in € million	2013	2012
New business	2,519.6	2,651.5
Hydraulics	–	167.8
Service offering	1,975.0	1,907.4
- After sales	1,174.2	1,149.8
- Rental business	443.1	427.6
- Used trucks	226.4	213.0
- Other	131.3	117.0
Total revenue	**4,494.6**	**4,726.7**

Further information on revenue can be found in the segment report in note [38].

[9] OTHER INCOME

The breakdown of other income is as follows: >> TABLE 046

Other income >> TABLE 046

in € million	2013	2012
Foreign currency exchange rate gains	24.2	18.9
Income from reversal of provisions	10.6	5.2
Profit from release of deferred lease profits	8.4	10.6
Net gains on the Weichai transactions	8.1	211.8
Gains on disposal of non-current assets	7.3	4.0
Rental income	2.0	2.7
Sundry income	61.0	43.8
Total other income	**121.7**	**297.0**

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 corresponding derivatives. The foreign currency exchange rate gains include gains amounting to €7.6 million (2012: €9.7 million) on derivative financial instruments used to hedge operating currency risk. These gains were offset by foreign currency exchange rate losses (other expenses) of €7.3 million in 2013 (2012: €5.1 million). Overall, this resulted in a net gain of €0.3 million on derivative financial instruments used to hedge operating currency risk (2012: €4.6 million).

The sundry income of €61.0 million reported for 2013 also included earnings from commission collected, which are not reported under revenue.

[10] OTHER EXPENSES

The breakdown of other expenses is as follows: >> TABLE 047

Other expenses >> TABLE 047

in € million	2013	2012
Foreign currency exchange rate losses	22.3	23.3
Losses on disposal of non-current assets	1.8	3.3
Impairment of non-current assets	1.2	21.1
Sundry expenses	21.4	11.8
Total other expenses	**46.7**	**59.5**

The change in foreign currency exchange rate gains and losses is attributable to exchange rate movements (see also note [9]).

The impairment recognised on non-current assets in the reporting year comprised impairment losses of €1.2 million on intangible assets (2012: €4.8 million). In the previous year, impairment losses of €16.3 million had been recognised on other property, plant and equipment. The impairment losses in 2012 were largely caused by the planned closure of production sites.

[11] SHARE OF PROFIT (LOSS) OF EQUITY-ACCOUNTED INVESTMENTS

The share of profit of equity-accounted investments amounted to €1.7 million in the reporting year (2012: €15.9 million). This amount includes income of €7.0 million arising from the remeasurement of an existing equity-accounted investment of 23.0 per cent held in Willenbrock Fördertechnik Holding GmbH, Bremen, Germany, over which a controlling influence can be exerted following the acquisition of further shares (see note [5]). The amount for the previous year included income of €8.0 million arising from the remeasurement of an existing equity-accounted investment of 49.0 per cent held in Linde Creighton Ltd., Basingstoke, United Kingdom. Further details on equity-accounted investments can be found in note [21].

[12] FINANCIAL INCOME

Financial income breaks down as follows: >> TABLE 048

Financial income* >> TABLE 048

in € million	2013	2012
Foreign currency exchange rate gains (financing)	13.6	12.1
Interest income from leases	27.2	22.5
Net interest income from defined benefit plans	1.1	1.2
Other interests and similar income	6.6	4.8
Total financial income	**48.5**	**40.5**

* Financial income for 2012 was adjusted due to the retrospective application of IAS 19R (2011)

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

Gains on exchange differences – financing – include gains of €6.2 million from the repayment of a foreign-currency loan denominated in US dollars (2012: €9.1 million, translation of a foreign-currency loan denominated in US dollars) and a gain of €6.8 million on hedging transactions (2012: €0.1 million).

The line item ‘Net interest income from defined benefit plans’ relates to the net interest income on the net assets of four pension plans in the United Kingdom in which plan assets exceed pension obligations.

[13] FINANCIAL EXPENSES

Financial expenses break down as follows: >> TABLE 049

Financial expense* >> TABLE 049

in € million	2013	2012
Interest expense from loans	59.1	121.1
Interest expense from corporate bond	65.2	34.5
Interest cost of leases	43.0	39.6
Amortisation of finance costs	30.2	11.4
Net interest expense from defined benefit plans	18.7	21.0
Foreign currency exchange rate losses (financing)	9.6	7.6
Interest cost of shareholder loan	–	27.7
Interest cost of non-current financial liabilities	1.2	2.2
Other interest expenses and similar charges	41.5	13.7
Total financial expense	**268.4**	**278.7**

* Financial expense for 2012 was adjusted due to the retrospective application of IAS 19R (2011)

Interest expenses arising from loan liabilities essentially include interest costs of €32.4 million arising from variable-rate loan liabilities under the senior facilities agreement (2012: €101.2 million) and losses of €26.7 million on interest-rate swaps (2012: €19.9 million).

Financial expenses were negatively affected by a number of non-recurring items totalling €57.5 million in 2013. The remeasurement of the options in connection with the 30 per cent equity investment in Linde Hydraulics resulted in an expense of €14.7 million in 2013 that is reported under other interest expense and similar charges. Repayment in full of the long-term bank loans under the acquisition finance arrangements (Senior Facilities Agreement or SFA) and the early redemption of the 2011/2018 floating rate note resulted in deferred borrowing costs of €24.5 million being recognised as an expense as amortisation of borrowing costs in 2013. In addition, interest-rate hedging instruments that had been used in the past for the acquisition finance arrangements were ended prematurely, which led to an amount of €18.3 million being recognised under financial expenses as interest expenses arising from loan liabilities. Adjusted for these three non-recurring items, net financial expenses amounted to €162.4 million in 2013, compared with €238.2 million in 2012. This sustained reduction in net financial expenses was due, in particular, to conversion of the shareholder loan of €670.8 million provided by Superlift Holding S.à r.l. into equity at the end of 2012, conversion of the loan provided by Superlift Holding to Superlift Funding (tranche G) into equity, full repayment of the acquisition finance and cheaper funding under the new loan facility.

Net interest expense from retirement benefit obligations relates to the net interest cost of the net liability of pension plans applying the discount rate for plans in which pension obligations exceed plan assets.

The interest cost of leases relates to the interest portion of lease payments in financial services transactions in which the material risks and rewards are borne by KION Group companies as lessees (finance leases). Sale and finance leaseback-operating sub-leases (SALB-FL-OL) incurred interest expenses of €24.0 million (2012: €20.7 million). The income from corresponding customer agreements is, according to IAS 17, a component of the rental and lease payments received and is therefore reported within revenue rather than as interest income.

The foreign currency exchange rate losses – financing – include losses on derivative financial instruments amounting to €6.6 million (2012: €7.6 million).

[14] INCOME TAXES

The income tax expense of €15.9 million (2012: expense of €149.5 million) consisted of €59.0 million in current tax expense (2012: €122.1 million) and €43.1 million in deferred tax income (2012: deferred tax expense of €27.4 million). The current tax expense includes expenses of €9.1 million (2012: expenses of €8.8 million) relating to previous financial years.

At the reporting date there were income tax assets of €15.4 million receivable from tax authorities (2012: €5.5 million) and income tax liabilities of €27.7 million (2012: €85.0 million).

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 have been announced 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 plus the solidarity surcharge (5.5 per cent of corporate income tax). Taking into account the average trade tax rate of 14.14 per cent, the combined nominal tax rate for companies in Germany was virtually unchanged on 2012 at 30.0 per cent. The income tax rates for foreign companies used in the calculation of deferred taxes are between 10.0 per cent and 37.6 per cent (2012: between 10.0 per cent and 38.1 per cent).

No deferred taxes have been recognised on temporary differences of €88.5 million (2012: €96.1 million) between the net assets reported in the consolidated financial statements for the Group companies and the tax base for the shares in these Group companies (outside basis differences) because the KION Group is in a position to manage the timing of the reversal of temporary differences and there are no plans to dispose of investments in the foreseeable future.

Deferred tax assets are allocated to the following items in the statement of financial position: >> TABLE 050

Deferred tax assets* >> TABLE 050

in € million	2013	2012
Intangible assets and property, plant and equipment	115.1	107.1
Financial assets	2.6	4.1
Current assets	45.1	33.8
Deferred charges and prepaid expenses	0.8	8.6
Provisions	112.0	121.4
Liabilities	317.4	251.0
Deferred income	41.0	46.4
Tax loss carryforwards and interest carryforwards	62.2	31.8
Offsetting	–400.7	–339.3
Total deferred tax assets	**295.5**	**264.9**

* Deferred tax assets for 2012 was adjusted due to the retrospective application of IAS 19R (2011)

Deferred tax liabilities are allocated to the following items in the statement of financial position: >> TABLE 051

Deferred tax liabilities >> TABLE 051

in € million	2013	2012
Intangible assets and property, plant and equipment	489.1	452.4
Financial assets	7.8	3.3
Current assets	167.7	150.4
Deferred charges and prepaid expenses	0.3	0.4
Provisions	21.9	23.7
Liabilities	19.8	15.4
Deferred income	0.3	2.6
Offsetting	–400.7	–339.3
Total deferred tax liabilities	**306.2**	**308.8**

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.

In April 2013, KION GROUP GmbH, Wiesbaden (controlling company; since renamed KION Material Handling GmbH), and Linde Material Handling GmbH, Aschaffenburg (subordinated company), concluded a control and profit-and-loss transfer agreement. The agreement came into effect upon entry in the commercial register on 17 May 2013 and established a tax group for these two companies (single entity for tax purposes) for the 2013 tax assessment period onwards. As a result of this arrangement, additional deferred tax assets totalling €41.8 million were recognised in 2013 in respect of tax loss carryforwards that it had previously not been possible to utilise. Of this amount, €12.7 million had been utilised by 31 December 2013.

Deferred tax assets amounting to €139.0 million (2012: €233.2 million) have not been recognised because it is unlikely that the corresponding benefit can be utilised given the current tax laws. Unrecognised deferred tax assets relate to tax loss carryforwards of €49.7 million (2012: €108.6 million), interest carryforwards of €89.1 million (2012: €124.0 million) and other temporary differences of €0.2 million (2012: €0.6 million).

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. The total amount of unrecognised deferred tax assets relating to loss carryforwards was €49.7 million (2012: €108.6 million), of which €41.0 million concerns tax losses that can be carried forward indefinitely.

The KION Group's corporation-tax loss carryforwards in Germany as at 31 December 2013 amounted to €169.8 million (31 December 2012: €289.8 million), while trade-tax loss carryforwards stood at €140.5 million (31 December 2012: €270.8 million). There were also foreign tax loss carryforwards totalling €228.5 million (31 December 2012: €190.5 million).

The interest that can essentially be carried forward indefinitely in Germany as at 31 December 2013 amounted to €359.0 million (31 December 2012: €463.5 million).

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 30.0 per cent (2012: 29.9 per cent). >> TABLE 052

Income taxes*

>> TABLE 052

in € million	2013	2012
Earnings before taxes	**154.3**	**310.9**
Anticipated income taxes	–46.2	–93.1
Deviations due to the trade tax base	–4.0	–3.9
Deviations from the anticipated tax rate	13.3	–0.3
Change in valuation allowance on deferred taxes**	41.7	–0.6
Losses for which deferred taxes have not been recognised	–7.1	–20.0
Change in tax rates and tax legislation	0.1	–1.5
Interest carryforwards for which deferred taxes have not been recognised	–7.0	–7.1
Non-deductible expenses	–8.1	–20.2
Permanent differences	5.7	0.0
Tax-exempt income	2.2	20.9
Taxes relating to other periods	–9.1	–8.8
Deferred taxes prior periods	–1.1	–11.2
Other	3.7	–3.8
Effective income taxes (current and deferred taxes)	**–15.9**	**–149.5**

* Income taxes for 2012 were adjusted due to the retrospective application of IAS 19R (2011)
**Mainly due to the actual usability of tax loss carryforwards of KION Material Handling GmbH

[15] OTHER INCOME STATEMENT DISCLOSURES

The cost of materials declined by €58.3 million in the reporting year to €2,121.7 million (2012: €2,180.0 million).

Personnel expenses went down by €59.0 million to €1,143.8 million in 2013 (2012: €1,202.7 million). These personnel expenses included wages and salaries of €900.5 million (2012: €946.6 million), social security contributions of €203.7 million (2012: €222.1 million) and expenses for pensions of €39.5 million (2012: €34.0 million). The interest cost from the unwinding of the discount on estimated pension obligations is not recognised under personnel expenses and is instead reported under financial expenses as a component of interest cost of the defined benefit obligation. Pension expenses essentially comprised the pension entitlements of €23.0 million (2012: €16.2 million) and unrecognised past service income of €1.7 million (2012: unrecognised past service cost of €0.3 million) arising from plan amendments and curtailments.

Impairment losses and depreciation expenses on property, plant and equipment together with impairment losses and amortisation expenses on intangible assets amounted to €335.0 million in the reporting year (2012: €365.3 million). Inventories were written down by €13.7 million (2012: €8.2 million).

The breakdown of rental and lease payments expensed in the period and arising in connection with operating leases in which KION Group companies are lessees is as follows: >> TABLE 053

Lessee: Expenses recognised for operating lease payments *>> TABLE 053*

in € million	2013	2012
Procurement lease contracts	75.1	80.5
Sublease contracts	20.3	19.0
Total recognised expenses for lease payments	**95.4**	**99.4**

The expenses in connection with sub-leases relate to leases and rental agreements in which KION Group companies are both lessors and lessees. These expenses were offset by income of €40.9 million in 2013 (2012: €53.6 million).

[16] EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net income (loss) accruing to the KION GROUP AG shareholders by the weighted average number of shares outstanding during the reporting period (2013: 81,980,688 no-par-value shares). The net income accruing to the shareholders of KION GROUP AG was €138.8 million (2012: €159.3 million). Information about determining the net income (loss) accruing to the KION GROUP AG shareholders can be found in the consolidated income statement. The number of shares taken into account was adjusted in accordance with the calculation method in IAS 33 and reflected a stock split from €2.00 to €1.00 per share as well as the capital increases from company funds in the first half of 2013. As a result, the applicable number of shares was adjusted by 63,700,000 no-par-value shares as at 1 January 2013. Due to the additional capital increases carried out in June 2013 (see note [27]), the number of shares to be taken into account in accordance with IAS 33 rose from 63,950,000 no-par-value shares as at 1 January 2013 to 98,700,000 no-par-value shares as at 31 December 2013. This did not include the 200,000 no-par-value treasury shares which were repurchased by KION GROUP AG between 28 August and 26 September 2013 as part of a buy-back programme. Similarly, the calculation for the prior-year period shown is based on an adjusted weighted average number of shares outstanding of 63,181,642 no-par-value shares.

As at 31 December 2013, there were no equity instruments that diluted the earnings per share for the number of shares issued.

As described in note [7], the first-time adoption of the revised IAS 19 caused the net income for 2013 accruing to the KION GROUP AG shareholders to rise by €0.4 million (and by €0.3 million for 2012). However, this did not lead to a material increase in earnings per share.

Notes to the consolidated statement of financial position

[17] GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill is allocated to the segments as follows: >> TABLE 054

Goodwill broken down by segment >> TABLE 054

in € million	2013	2012
LMH	925.1	907.8
STILL	556.5	552.2
Other	13.1	13.2
Total goodwill	**1,494.7**	**1,473.2**

The change in goodwill in 2013 mainly resulted from the acquisition of Willenbrock and STILL Arser, from which goodwill of €18.1 million and €5.0 million arose respectively, and from countervailing currency effects. The goodwill arising from the acquisition of Willenbrock is allocated to the LMH segment, while the goodwill from the acquisition of STILL Arser is allocated to the STILL segment.

Intangible assets >> TABLE 055

in € million	Goodwill	Brand names	Technology & development	Sundry intangible assets	Total
Balance as at 01/01/2012	**1,538.0**	**594.4**	**251.7**	**131.5**	**2,515.6**
Group changes	16.3	–	–	4.7	21.0
Currency translation adjustments	–0.5	–0.1	0.4	0.2	–0.0
Additions	0.2	–	51.2	18.9	70.4
Disposals	–80.7	–	–25.1	–3.4	–109.2
Amortisation	–	–0.3	–55.5	–29.8	–85.7
Impairment	–	–	–4.8	–0.1	–4.8
Reclassification	–	–	–0.1	0.2	0.1
Balance as at 31/12/2012	**1,473.2**	**593.9**	**217.9**	**122.1**	**2,407.2**
Gross carrying amount as at 31/12/2012	1,473.2	594.5	426.7	232.9	2,727.4
Accumulated amortisation	–	–0.5	–208.8	–110.8	–320.2
Balance as at 01/01/2013	**1,473.2**	**593.9**	**217.9**	**122.1**	**2,407.2**
Group changes	23.1	1.5	–	13.8	38.4
Currency translation adjustments	–1.6	–0.5	–0.4	–1.4	–3.8
Additions	–0.0	–	45.7	17.0	62.6
Disposals	–	–	–0.0	–0.9	–0.9
Amortisation	–	–0.3	–45.1	–28.2	–73.6
Impairment	–	–	–1.2	–	–1.2
Balance as at 31/12/2013	**1,494.7**	**594.7**	**216.9**	**122.4**	**2,428.7**
Gross carrying amount as at 31/12/2013	1,494.7	595.4	470.4	253.4	2,813.9
Accumulated amortisation	–0.0	–0.7	–253.5	–131.0	–385.2

The Group intends to retain and further strengthen the Linde, STILL, OM STILL and KION brand names on a long-term basis. Brand names worth €473.6 million are assigned to the LMH segment (31 December 2012: €473.8 million) and brand names worth €115.3 million to the STILL segment (31 December 2012: €114.0 million). These assets are not amortised as they have an indefinite useful life. A value of €1.8 million was attributed to the Voltas brand name and allocated to the Other segment. This brand name is amortised over its useful life of five years. As at 31 December 2013, the brand names allocated to the Other segment had a residual value of €5.8 million (31 December 2012: €6.2 million).

The total carrying amount for technology and development assets as at 31 December 2013 was €216.9 million (31 December 2012: €217.9 million). Development costs of €45.7 million were capitalised in the reporting year (2012: €51.2 million). Total research and development costs of €113.6 million (2012: €124.5 million) were expensed. Of this amount, €45.1 million (2012: €55.5 million) related to depreciation and amortisation.

Impairment losses of €1.2 million were recognised on capitalised development costs and reported within the other expenses in 2013 to reflect the lack of opportunities to use them in future as a result of the planned closure of a production site. This relates to further impairment losses in connection with the closure of the heavy truck plant in Merthyr Tydfil (LMH segment).

Other intangible assets relate in particular to the intangible assets identified in the course of 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.

[18] LEASED ASSETS

The changes in leased assets in 2013 and 2012 were as follows: >> TABLE 056

Leased assets >> TABLE 056

in € million	2013	2012
Balance as at 01/01/	**191.3**	**167.4**
Group changes	35.2	–
Currency translation adjustments	–11.4	0.7
Additions	146.9	135.1
Disposals	–59.8	–60.6
Depreciation	–58.0	–51.2
Reclassification	7.8	–0.1
Balance as at 31/12/	**251.9**	**191.3**
Gross carrying amount as at 31/12/	603.5	453.9
Accumulated depreciation	–351.5	–262.6

Leased assets are attributable solely to the Financial Services segment and relate to industrial trucks in the amount of €251.6 million (2012: €191.2 million) that are leased to external customers, and to office furniture and equipment in the amount of €0.3 million (2012: €0.1 million).

Leased assets include assets leased over the long term with a residual value of €201.2 million (31 December 2012: €142.7 million) that are funded by means of sale and leaseback transactions with leasing companies and leased assets with a residual value of €50.7 million (31 December 2012: €48.7 million) that are funded internally or by means of bank loans.

Leased assets resulted in non-cancellable minimum lease payments from customers amounting to €225.8 million (31 December 2012: €189.6 million).

The following table shows the maturity structure of these payments: >> TABLE 057

Minimum lease payments >> TABLE 057

in € million	2013	2012
Cash receipts from minimum lease payments	**225.8**	**189.6**
due within one year	89.6	80.1
due in one to five years	134.7	106.1
due in more than five years	1.5	3.4

[19] RENTAL ASSETS

The changes in rental assets in 2013 and 2012 were as follows: >> TABLE 058

Rental assets >> TABLE 058

in € million	2013	2012
Balance as at 01/01/	**395.1**	**356.7**
Group changes	42.6	1.5
Currency translation adjustments	–6.8	1.5
Additions	229.4	193.8
Disposals	–59.1	–28.2
Depreciation	–134.3	–130.1
Reclassification	–5.6	–0.2
Balance as at 31/12/	**461.2**	**395.1**
Gross carrying amount as at 31/12/	949.6	913.0
Accumulated depreciation	–488.4	–517.9

Acquisitions amounting to €127.1 million (2012: €110.1 million) and disposals amounting to €37.8 million (2012: €19.8 million) were attributable to the LMH segment. Acquisitions amounting to €102.4 million (2012: €85.4 million) and disposals amounting to €21.4 million (2012: €10.2 million) were attributable to the STILL segment.

The breakdown of rental assets by contract type is shown in the following table: >> TABLE 059

Rental assets broken down by contract types >> TABLE 059

	Operating leases as lessor		Sale with risk		Total	
in € million	2013	2012	2013	2012	2013	2012
Industrial trucks	375.3	323.6	64.3	66.8	439.6	390.4
Truck equipment	21.5	4.6	0.1	0.1	21.5	4.7
Total rental assets	**396.8**	**328.2**	**64.4**	**66.9**	**461.2**	**395.1**

Rental assets comprises assets resulting from short-term rentals ('operating leases as lessor') and assets in relation to which significant risks and rewards remain with the KION Group although they were sold ('sale with risk').

[20] OTHER PROPERTY, PLANT AND EQUIPMENT

The changes in the carrying amounts of other property, plant and equipment were as follows: >> TABLE 060

Other property, plant and equipment >> TABLE 060

in € million	Land and buildings	Plant, machinery, and office furniture and equipment	Advances paid and assets under construction	Total
Balance as at 01/01/2012	**345.2**	**188.5**	**20.1**	**553.8**
Group changes	3.0	–0.2	–	2.9
Exchange rate adjustments	–0.3	–0.1	–0.1	–0.5
Additions	9.9	65.7	17.5	93.2
Disposals	–19.0	–30.4	–6.2	–55.6
Depreciation	–14.1	–63.1	–	–77.2
Impairment	–12.3	–4.0	–	–16.3
Reclassification	9.9	6.0	–15.7	0.2
Balance as at 31/12/2012	**322.3**	**162.4**	**15.6**	**500.3**
Gross carrying amount as at 31/12/2012	637.6	888.0	15.6	1,541.3
Accumulated depreciation	–315.4	–725.6	–	–1,040.9
Balance as at 01/01/2013	**322.3**	**162.4**	**15.6**	**500.3**
Group changes	11.8	6.1	0.6	18.5
Exchange rate adjustments	–5.2	–2.7	–0.2	–8.1
Additions	6.2	46.5	11.7	64.4
Disposals	–3.2	–2.9	–0.1	–6.2
Depreciation	–14.7	–53.1	–	–67.8
Reversal of impairment	–	0.5	–	0.5
Reclassification	2.8	1.5	–6.5	–2.2
Balance as at 31/12/2013	**320.0**	**158.3**	**21.1**	**499.4**
Gross carrying amount as at 31/12/2013	647.2	939.6	21.1	1,607.9
Accumulated depreciation	–327.2	–781.3	–	–1,108.5

Land and buildings in the amount of €18.3 million (31 December 2012: €4.2 million) were largely pledged as collateral for accrued retirement benefits under partial retirement agreements.

The KION Group did not recognise any significant impairment losses in accordance with IAS 36 on other property, plant and equipment in 2013. Of the impairment losses recognised in 2012, which predominantly related to the planned closure of production sites, €12.3 million was attributable to land and buildings and €4.0 million to plant & machinery and office furniture & equipment.

Plant & machinery and office furniture & equipment include assets from procurement leases (finance leases) amounting to €13.3 million (31 December 2012: €15.5 million). Depreciation on these assets came to €3.7 million in 2013. The corresponding liabilities are reported as other financial liabilities.

[21] EQUITY-ACCOUNTED INVESTMENTS

The KION Group reported equity-accounted investments with a total carrying amount of €138.6 million as at 31 December 2013 (31 December 2012: €154.8 million). A significant portion of the carrying amount of the associates resulted from the shares (30 per cent) in Linde Hydraulics. The associates and joint ventures can be seen in the list of shareholdings in note [45]. Their key figures are as shown below. >> TABLE 061

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

At-Equity investments >> TABLE 061

in € million	2013	2012
Associates (100 per cent)		
Revenue	692.2	569.4
Net loss (income)	–31.7	15.3
Assets	1,039.5	1,073.0
Liabilities	683.9	712.9
Joint ventures (100 per cent)		
Revenue	99.1	132.0
Net income	5.3	4.8
Assets	43.5	55.0
Non-current assets	21.0	24.2
Current assets	22.4	30.8
Liabilities	19.7	30.2
Non-current assets	4.6	4.7
Current assets	15.0	25.5

[22] LEASE RECEIVABLES

In the case of leases under which KION Group companies lease assets directly to customers as part of the Group's financial services 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: >> TABLE 062

Lease receivables >> TABLE 062

in € million	2013	2012
Gross investments	**537.5**	**443.5**
due within one year	194.8	151.0
due in one to five years	326.9	282.3
due in more than five years	15.8	10.2
Present value of outstanding minimum lease payments	**479.6**	**399.3**
due within one year	170.8	132.1
due in one to five years	293.6	257.3
due in more than five years	15.2	9.8
Unrealised financial income	**57.9**	**44.2**

Gross investments include minimum lease payments from non-cancellable sub-leases amounting to €434.0 million (31 December 2012: €345.5 million).

Lease receivables include unguaranteed residual values of €52.1 million (31 December 2012: €44.1 million).

[23] OTHER FINANCIAL ASSETS

Other financial assets of €166.3 million (31 December 2012: €156.9 million) comprise the following: >> TABLE 063

Other financial assets >> TABLE 063

in € million	2013	2012
Pension assets	22.4	22.8
Investments in non-consolidated subsidiaries	7.8	3.9
Other investments	4.1	2.7
Loans receivable	0.8	0.7
Non-current securities	0.8	0.8
Derivative financial instruments	15.7	19.7
Other non-current financial assets	**51.7**	**50.2**
Derivative financial instruments	3.6	4.2
Financial receivables from affiliated companies and related companies	7.6	8.5
Financial receivables from third parties	4.0	1.1
Deferred charges and prepaid expenses	25.7	20.4
Sundry financial assets	73.8	72.6
Other current financial assets	**114.7**	**106.8**
Total other financial assets	**166.3**	**156.9**

Pension assets relate to asset surpluses from four defined benefit plans in the United Kingdom in which plan assets exceed pension obligations.

The non-current derivative financial instruments include the put option on the remaining shares in Linde Hydraulics amounting to €15.7 million (2012: €19.7 million).

The sundry financial assets essentially include receivables from value added tax amounting to €37.5 million (31 December 2012: €37.2 million) and non-derivative financial receivables amounting to €35.7 million (31 December 2012: €35.2 million) that fall within the scope of IFRS 7.

[24] INVENTORIES

The reported inventories break down as follows:
>> TABLE 064

Inventories >> TABLE 064

in € million	2013	2012
Materials and supplies	108.3	120.0
Work in progress	66.7	75.0
Finished goods and merchandise	331.2	349.0
Advances paid	5.5	5.9
Total inventories	**511.8**	**549.9**

The year-on-year reduction in inventories was largely attributable to the decrease in materials and supplies (down by 9.8 per cent), work in progress (down by 11.1 per cent) and finished goods (down by 5.1 per cent). In 2013, impairment losses of €13.7 million were recognised on inventories (2012: €8.2 million). Reversals of impairment losses had to be recognised in the amount of €7.0 million (2012: €0.8 million) because the reasons for the impairment losses no longer existed.

[25] TRADE RECEIVABLES

The trade receivables break down as follows: >> TABLE 065

Trade receivables >> *TABLE 065*

in € million	2013	2012
Receivables from third parties	540.1	607.3
thereof receivables from third parties before valuation allowances	582.6	657.8
thereof valuation allowances for overdue receivables > 90 days ≤ 180 days	–6.2	–7.6
thereof valuation allowances for overdue receivables > 180 days	–25.8	–27.5
thereof other valuation allowances for receivables	–10.4	–15.4
Trade receivables from affiliated companies	5.8	3.5
Trade receivables from associated companies and joint ventures	12.8	14.7
Total trade receivables	**558.7**	**625.5**

Valuation allowances of €42.4 million (31 December 2012: €50.5 million) were recognised for trade receivables.

[26] CASH AND CASH EQUIVALENTS

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 [34].

Cash and cash equivalents >> *TABLE 066*

in € million	2013	2012
Cash held by banks, on hand and cheque	219.1	561.9
Pledged cash	0.3	0.5
Total cash and cash equivalents	**219.3**	**562.4**

[27] EQUITY

Subscribed capital and capital reserves

As at 31 December 2013, the Company's share capital amounted to €98.9 million and was fully paid up. As at 31 December 2012, the nominal capital of KION Holding 1 GmbH was divided into 250,000 shares, each with a value of €2. Subscribed capital increased by a total of 98,650,000 no-par-value shares to 98,900,000 no-par-value shares due to entry of the capital increase in the commercial register in January 2013 and to three further capital increases and a stock split in connection with the IPO in June 2013. The total number of shares outstanding as at 31 December 2013 was 98.7 million no-par-value shares. At the reporting date, KION GROUP AG held 0.2 million treasury shares. There were changes to the share capital in the year under review for the following reasons:

In December 2012, the Shareholders' Meeting of KION Holding 1 GmbH had approved a resolution to increase the share capital by €0.8 million to €1.3 million. The capital increase was not entered in the commercial register until 14 January 2013. In addition, capital reserves went up by €1,131.8 million.

The Shareholders' Meeting on 25 April 2013 approved not only the change in legal form but also a resolution to increase the share capital by €62.7 million to €64.0 million from company funds. KION GROUP AG's transformation and capital increase were entered in the commercial register on 4 June 2013.

On 11 June 2013, the Annual General Meeting of KION GROUP AG resolved to increase the share capital by €4.0 million to €68.0 million by way of a share issue. The new shares were issued in return for a non-cash capital contribution from Superlift Holding S.à r.l., Luxembourg (referred to below as Superlift Holding). The non-cash capital contribution from Superlift Holding took the form of all shares in Superlift Funding S.à r.l., Luxembourg (referred to below as Superlift Funding), and all rights and duties of Superlift Holding arising out of the agreement between Superlift Holding and Superlift Funding dated 30 September 2009 for a loan of €100.0 million (plus accrued interest of €17.0 million). The portion of the non-cash capital contribution that exceeded the capital increase (€114.0 million) was paid into the capital reserves. The aforementioned capital increase was entered in the commercial register on 19 June 2013.

In addition, the Annual General Meeting on 13 June 2013 approved a further resolution to increase the share capital by €13.7 million to €81.7 million by way of a share issue. Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg, subscribed these shares. The capital increase was entered in the commercial register on 27 June 2013, as a result of which the share capital grew by €13.7 million and capital reserves went up by €314.7 million.

The share capital also increased due to the issue of shares to investors as part of the IPO. To this end, the Annual General Meeting of KION GROUP AG on 13 June 2013 resolved to increase the share capital of KION GROUP AG by a further €17.2 million to a total of €98.9 million by issuing new shares. An amount of €396.2 million was paid into the capital reserves.

Total transaction costs of €27.5 million were incurred in connection with the capital increases; €19.6 million of this total was directly attributable and was deducted directly from the capital reserves after subtraction of a tax benefit of €5.7 million.

Following the successful IPO, the KION Group began preparations for an employee share programme to enable staff members, initially those in Germany, to derive greater benefit from the success of the Company. As authorised by the Annual General Meeting on 13 June 2013, treasury shares were repurchased via the stock exchange for this purpose from 28 August 2013 onwards. By 26 September 2013, a total of 0.2 million treasury shares had been repurchased at an average price of €27.89. The total cost was €5.6 million.

Retained earnings

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

Appropriation of profit

The Executive Board and Supervisory Board of KION GROUP AG will propose a dividend of €0.35 per share to the Annual General Meeting on 19 May 2014. As there are 98,700,000 dividend-bearing shares, this equates to a total dividend payout of €34.5 million. A total of 25 per cent of the net income accruing to the KION Group shareholders will therefore be distributed in dividends.

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 derivative financial instruments, the share of profit (loss) of equity-accounted investments, and the gains and losses in connection with defined benefit pension obligations.

Non-controlling interests

Non-controlling interests in companies in the KION Group amounted to €5.0 million (31 December 2012: €6.2 million).

[28] 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 pension 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 €57.6 million in 2013 (2012: €63.9 million). Of this total, contributions paid by employers into government-run schemes came to €52.8 million (2012: €59.7 million). 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. As at 31 December 2013, the KION Group had set up defined benefit plans in 13 countries. For all of the significant defined benefit plans within the Group, the benefits granted to employees are determined on the basis of their individual income, i.e. either directly or by way of intermediate benefit arrangements. The largest of the KION Group's defined benefit plans – accounting for around 91 per cent of the global defined benefit obligation – are in Germany and the United Kingdom.

In **Germany**, the pension benefits granted under the 2001 pension benefit conditions and 2002 pension benefit conditions depend on employees' length of service and gross annual remuneration (pension component entitlement). The pension component is calculated by multiplying a certain percentage by an age-dependent annuitisation factor. The contribution rate is 3.4 per cent (2001 pension benefit conditions) or 2.0 per cent (2002 pension benefit conditions) of the gross remuneration that an employee earns in the computation period. Employees receive the pension entitlement that they have earned in the form of a monthly retirement pension or invalidity benefit or, in the event of their death, the entitlement is paid to their surviving dependants in the form of a widow's / widower's pension or orphans' pension. Members of the Executive Board and other executives are predominantly covered by individual pension plans. For details of the pension entitlements of KION GROUP AG Executive

Board members, please refer to the information in note [43]. The amount of the benefits paid to executives depends on the type of entitlement. Under the 'old' individual pension plans, executives were entitled to a certain percentage of income as their pension benefit. By contrast, the employer-funded entitlement under the 'new' individual pension plans consists of two components: a fixed basic pension and a variable top-up pension through which annual components are earned within a defined contribution system. Both components depend on the seniority of the executive.

In addition, employees in **Germany** are able to pay part of their salary into a company pension plan, for which KION provides a defined minimum interest rate to enable employees to build up their personal pension provision. The pension benefits consist of retirement, invalidity and surviving dependants' benefits. Each contribution made is converted into a capital component on the basis of a guaranteed minimum interest rate of 3 per cent and depending on the age of the employee. The capital components acquired each calendar year are added up to give the pension capital. When an insured event occurs, the pension capital is converted into an ongoing life-long pension or a one-off capital payment.

In Germany, the KION Group also helps employees to build up their own pension provision with an additional matching contribution for those employees who pay part of their salary into the KION pension plan. The additional matching contribution received by executives is 50.0 per cent of the amount they defer in a calendar year, although the absolute amount of this contribution is limited to a certain percentage of income (ranging from 2.5 per cent to a maximum of 5.0 per cent). All other employees who participate in the company pension scheme receive up to 0.4 per cent of their gross remuneration.

Some of the 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. There are no statutory minimum funding requirements. In the event of the Company's insolvency, the company pension scheme is to a large extent protected by law by the Pension Security Association.

In the United Kingdom, defined benefit pension obligations predominantly relate to four plans. The defined benefits include not only a life-long retirement pension but also surviving dependants' benefits. The amount of the pension depends on employees' length of service and final salary. All of the plans were closed to new employees more than ten years ago. All beneficiaries in one of the plans are no longer active employees. Production at the extra heavy-duty truck plant in Merthyr Tydfil (Wales, United Kingdom) was shut down in 2013 as planned, resulting in gains on plan curtailments from two of the plans in the reporting year.

Each of the four plans is monitored by its own board of trustees, which oversees the running of the plan as well as its funded status and the investment strategy. The members of the boards of trustees comprise people appointed by the companies involved and selected plan beneficiaries.

Under **UK** law, the board of trustees is obliged to have a valuation of the plan carried out at least every three years. The last valuation was carried out as at 1 January 2009. Because there are gaps in the coverage according to local valuation rules, the companies involved made a one-off payment of €7.1 million in 2013 in line with the minimum funding agreements reached with the trustees. A one-off payment of €6.9 million will have to be made in 2014. This amount may decrease by €2.3 million depending on the achievement of defined KPIs. The trustees and the companies are currently finalising the valuation as at 1 January 2012. The board of trustees and the companies involved have agreed that this valuation can be finalised after the statutory deadline so as to enable the board of trustees to take KION GROUP AG's IPO into consideration in the valuation. The new valuation may give rise to additional minimum funding requirements in future.

The unsecured guarantees given to the trustees of the four plans by KION GROUP GmbH (now KION Material Handling GmbH) were replaced with letters of support after KION GROUP AG's successful IPO, as set forth in the original guarantees. In these letters of support, KION GROUP AG undertakes to ensure – provided that certain defined conditions are met – that each employer is always in a financial position to meet its payment obligations under the plan. The likelihood of the guarantee being used is deemed low in view of the position of the individual companies with regard to their current and future financial and earnings situations.

Furthermore, significant asset volumes are invested in external pension funds with restricted access in Switzerland and the Netherlands. Decisions on additions to plan assets take into account the change in plan assets and pension obligations. They also take into account the statutory minimum coverage requirements and the amounts deductible under local tax rules.

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 (after the vesting period has expired) former employees of the KION Group and their surviving dependants.

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 as 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 biometric 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 significant weighted-average assumptions as at the reporting date shown in >> *TABLE 067*.

The assumed discount rate is determined on the basis of the yield as at the reporting date on AA-rated, 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.

Future increases in salaries are estimated on an annual basis taking into account factors such as inflation and the overall economic situation.

The biometric mortality rates used in the calculation are based on published country-specific statistics and empirical values. Since 31 December 2009, the modified Heubeck 2005 G mortality tables have been used in Germany as the biometric basis; the modified tables include a somewhat higher life expectancy for males than the unmodified tables. The S1NA CMI 2013 with a long-term trend of 1.25 per cent p.a. is applied to the four defined benefit plans in the United Kingdom.

Assumptions underlying provisions for pensions and other postemployment benefits >> *TABLE 067*

	Germany		UK		Other	
	2013	2012	2013	2012	2013	2012
Discount rate	3.60 %	3.50 %	4.40 %	4.35 %	2.95 %	2.57 %
Salary increase rate	2.75 %	2.75 %	4.16 %	4.17 %	2.44 %	2.36 %
Rate of pension increase	1.75 %	1.75 %	3.53 %	2.94 %	0.48 %	0.26 %

The actuarial assumptions not listed in >> TABLE 067, such as employee turnover, invalidity, etc., are determined in accordance with recognised forecasts in each country, taking into account the circumstances and forecasts in the companies concerned.

The significant weighted-average assumptions shown in >> TABLE 068 were applied to the calculation of the net interest cost and the cost of benefits earned in the current year (current service cost).

Differences between the forecast and actual change in the defined benefit obligation and changes in related assets (known as remeasurements) are recognised immediately in other comprehensive income in accordance with IAS 19. This serves to ensure that the pension liability in the statement of financial position is always the present value of the defined benefit obligation not covered by assets.

In the case of externally financed pension plans, the present value of the defined benefit obligation as calculated in accordance with the projected unit credit method is reduced by the fair value of the assets of the external pension plan. If the assets of the external pension plan exceed the pension obligations (net assets), a corresponding asset is recognised in accordance with IAS 19. IAS 19.64 in conjunction with the supplementary explanatory information in IFRIC 14 states that the recognition of an asset for an excess of pension plan assets over pension obligations is only permitted if the company concerned, in its function as the employer, gains economic benefits in the form of reductions in future contributions to the plan or in the form of refunds from the plan. If pension obligations are not covered by the assets of an external pension plan, the net obligation is reported under the retirement benefit obligation.

In four defined benefit plans in the United Kingdom, plan assets exceed the pension obligations. Stipulations limiting the asset to be recognised in the statement of financial position do not apply.

Assumptions underlying for pensions expenses >> TABLE 068

	Germany		UK		Other	
	2013	2012	2013	2012	2013	2012
Discount rate	3.50 %	5.65 %	4.35 %	4.85 %	2.57 %	4.01 %
Salary increase rate	2.75 %	2.75 %	4.17 %	4.18 %	2.36 %	2.31 %
Rate of pension increase	1.75 %	1.75 %	2.94 %	3.18 %	0.26 %	0.38 %

Statement of financial position

The change in the present value of the defined benefit obligation (DBO) is shown in >> TABLE 069.

Changes in defined benefit obligation >> TABLE 069

	Germany		UK		Other		Total	
in € million	2013	2012	2013	2012	2013	2012	2013	2012
Present value of defined benefit obligation as at 01/01/	**545.4**	**389.3**	**419.5**	**390.4**	**98.4**	**79.4**	**1,063.3**	**859.0**
Group changes	0.0	–67.4	–	–6.9	0.0	–0.2	0.1	–74.5
Exchange differences	–	–	–8.5	10.3	–0.8	0.2	–9.2	10.5
Current service cost	18.3	11.9	1.2	1.4	3.4	2.9	23.0	16.2
Past service cost (+) and income (–) from plan amendments	–	–	0.3	0.3	–1.3	–	–1.0	0.3
Past service cost (+) and income (–) from curtailments	–	–	–0.7	–	–	–	–0.7	–
Interest expense on defined benefit obligation	18.9	21.7	17.1	19.1	2.5	3.1	38.4	43.8
Employee contributions	–	–	0.0	0.1	0.9	0.8	0.9	0.9
Pension benefits directly paid by company	–12.1	–11.3	–	–	–1.0	–2.3	–13.1	–13.6
Pension benefits paid by funds	–	–	–17.7	–16.9	–1.4	–3.0	–19.1	–19.9
Liability transfer out to third parties	–0.4	–0.2	–	–	–	–	–0.4	–0.2
Remeasurements	–5.1	201.5	11.0	21.7	–5.0	17.5	0.9	240.7
Present value of defined benefit obligation as at 31/12/	**565.1**	**545.4**	**422.1**	**419.5**	**95.7**	**98.4**	**1,082.9**	**1,063.3**
thereof unfunded	237.9	231.4	–	–	28.0	28.2	265.9	259.6
thereof funded	327.2	314.0	422.1	419.5	67.8	70.2	817.1	803.7

The components of the remeasurements are listed in >> TABLE 073.

>> TABLE 070 shows the change in the fair value of plan assets.

Changes in plan assets >> TABLE 070

	Germany		UK		Other		Total	
in € million	2013	2012	2013	2012	2013	2012	2013	2012
Fair value of plan assets as at 01/01/	**40.0**	**38.2**	**439.5**	**406.4**	**58.9**	**50.3**	**538.4**	**494.9**
Group changes	–	–1.8	–	–4.1	–	–	–	–5.9
Exchange differences	–	–	–8.9	10.7	–0.6	0.2	–9.5	10.9
Interest income on plan assets	1.4	2.2	18.1	20.0	1.4	1.8	20.9	24.0
Employee contributions	–	–	0.0	0.1	0.9	0.8	0.9	0.9
Employer contributions	2.4	–	7.3	7.3	1.9	2.2	11.6	9.5
Pension benefits paid by funds	–	–	–17.7	–16.9	–1.4	–3.0	–19.1	–19.9
Remeasurements	–1.9	1.5	3.3	16.0	0.6	6.5	2.0	24.0
Fair value of plan assets as at 31/12/	**41.9**	**40.0**	**441.6**	**439.5**	**61.7**	**58.9**	**545.2**	**538.4**

In 2013, employer contributions in the United Kingdom, which amounted to €7.3 million, included one-off payments of €7.1 million into pension funds on the basis of contractual agreements. In Germany, the Executive Board members' switch from KION Material Handling GmbH to KION GROUP AG meant that one-off payments of €2.4 million were made to a German CTA.

The payments expected for the following year amount to €23.7 million (2013: €24.5 million), which includes expected employer contributions of €9.2 million to plan assets (2013: €11.2 million) and expected direct payments of pension benefits amounting to €14.6 million (2013: €13.3 million) that are not covered by corresponding reimbursements from plan assets. According to local valuation rules, there continue to be gaps in the coverage of four plans in the United Kingdom, as a result of which the expected employer contributions in 2014 include one-off payments of €6.9 million in line with the agreements reached with the trustees.

The reconciliation of funded status and net defined benefit obligation to the amounts reported in the consolidated statement of financial position as at 31 December is shown in >> TABLE 071.

As a result, the funding ratio (ratio of pension assets to pension obligations) in the KION Group was 50.3 per cent (2012: 50.6 per cent).

The change in the retirement benefit obligation reported in the statement of financial position is shown in >> TABLE 072.

Funded status and net defined benefit obligation

>> *TABLE 071*

in € million	Germany 2013	Germany 2012	UK 2013	UK 2012	Other 2013	Other 2012	Total 2013	Total 2012
Present value of the partially or fully funded defined benefit obligation	−327.2	−314.0	−422.1	−419.5	−67.8	−70.2	−817.1	−803.7
Fair value of plan assets	41.9	40.0	441.6	439.5	61.7	58.9	545.2	538.4
Surplus (+)/deficit (–)	**−285.3**	**−274.0**	**19.5**	**20.0**	**−6.1**	**−11.3**	**−271.8**	**−265.2**
Present value of the unfunded defined benefit obligation	−237.9	−231.4	–	–	−28.0	−28.2	−265.9	−259.6
Net liability (–)/net asset (+) as at 31/12/	**−523.1**	**−505.4**	**19.5**	**20.0**	**−34.1**	**−39.5**	**−537.7**	**−524.8**
Reported as 'retirement benefit obligation'	−523.1	−505.4	−2.9	−2.7	−34.1	−39.5	−560.1	−547.6
Reported as 'Other non-current financial assets'	–	–	22.4	22.8	0.0	–	22.4	22.8

Changes in retirement benefit obligation

>> *TABLE 072*

in € million	Germany 2013	Germany 2012	UK 2013	UK 2012	Other 2013	Other 2012	Total 2013	Total 2012
Balance as at 01/01/	**505.4**	**351.1**	**2.7**	**2.1**	**39.5**	**29.1**	**547.6**	**382.2**
Group changes	0.0	−65.5	–	–	0.0	−0.2	0.1	−65.8
Exchange differences	–	–	−0.1	0.1	−0.2	0.0	−0.2	0.1
Total service cost	18.3	11.9	–	–	2.1	2.9	20.4	14.8
Net interest expense	17.5	19.5	0.1	0.1	1.1	1.3	18.7	20.9
Pension benefits directly paid by company	−12.1	−11.3	–	–	−1.0	−2.3	−13.1	−13.6
Employer contributions to plan assets	−2.4	–	−0.2	−0.2	−1.9	−2.2	−4.5	−2.4
Liability transfer out to third parties	−0.4	−0.2	–	–	–	–	−0.4	−0.2
Remeasurements	−3.2	200.0	0.4	0.7	−5.6	10.9	−8.4	211.6
Balance as at 31/12/	**523.1**	**505.4**	**2.9**	**2.7**	**34.1**	**39.5**	**560.1**	**547.6**

In Germany, the KION pension plan for employees holds plan assets of €23.1 million from employee contributions (2012: €19.5 million) besides the Company-funded entitlements shown in >> TABLE 071 The plan assets are wholly offset by corresponding liabilities relating to the direct pension entitlement scheme. Employees paid a total of €2.4 million (2012: €2.7 million) into the KION pension plan in 2013.

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 flow 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 a cash outflow for operating activities.

During the reporting year, pension benefits of €32.2 million (2012: €33.5 million) were paid in connection with the main pension entitlements in the KION Group, of which €13.1 million (2012: €13.6 million) was paid directly by the Company and €19.1 million (2012: €19.9 million) was paid from plan assets. Cash contributions to plan assets in 2013 amounted to €11.6 million (2012: €9.5 million). Furthermore, pension benefit payments totalling €0.4 million (2012: €0.2 million) 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 accordance with fixed rules. The expenses recognised in the income statement for pensions and similar obligations consist of a number of components that must be 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 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.

Past service cost arises if there is a change to the pension entitlement and it is recognised immediately in full.

Cost of defined benefit obligation >> TABLE 073

	Germany		UK		Other		Total	
in € million	2013	2012	2013	2012	2013	2012	2013	2012
Current service cost	18.3	11.9	1.2	1.4	3.4	2.9	23.0	16.2
Past service cost (+) and income (–) from plan amendments	–	–	0.3	0.3	–1.3	–	–1.0	0.3
Past service cost (+) and income (–) from curtailments	–	–	–0.7	–	–	–	–0.7	–
Total service cost	**18.3**	**11.9**	**0.8**	**1.7**	**2.1**	**2.9**	**21.2**	**16.5**
Interest expense on defined benefit obligation	18.9	21.7	17.1	19.1	2.5	3.1	38.4	43.8
Interest income on plan assets	–1.4	–2.2	–18.1	–20.0	–1.4	–1.8	–20.9	–24.0
Net interest expense (+)/income (–)	**17.5**	**19.5**	**–1.0**	**–0.9**	**1.1**	**1.3**	**17.6**	**19.8**
Total cost of defined benefit obligation	**35.8**	**31.4**	**–0.2**	**0.8**	**3.2**	**4.2**	**38.8**	**36.4**

The net interest cost / income, which is calculated by multiplying the net liability (pension obligation minus plan assets) or the net assets (if the plan assets exceed the pension obligation) by the discount rate at the start of the year, is also recognised in the income statement.

The breakdown of the net cost of the defined benefit obligation (expenses less income) recognised in the income statement for 2013 is shown in >> TABLE 073.

The KION Group's net financial income / expenses includes a net interest cost of €17.6 million (2012: €19.8 million). All other components of pension expenses are recognised under functional costs.

The actual total return on plan assets in 2013 was €22.9 million (2012: €48.0 million).

Other comprehensive income (loss)

The breakdown of the remeasurement of the defined benefit obligation recognised in the statement of comprehensive income in 2013 is as follows: >> TABLE 074

Accumulated other comprehensive income (loss) >> TABLE 074

	Germany		UK		Other		Total	
in € million	2013	2012	2013	2012	2013	2012	2013	2012
Accumulated other comprehensive income / loss as at 01/01/	**–118.0**	**81.5**	**–37.0**	**–37.0**	**–20.2**	**–10.2**	**–175.1**	**34.3**
Effects from the first time adoption of IAS 19 (rev. 2011)	–	0.6	–	4.4	–	1.0	–	6.0
Group changes	–	–	–	2.2	–	–	–	2.2
Exchange differences	–	–	0.6	–1.0	0.1	0.0	0.7	–0.9
Gains (+) and losses (–) arising from remeasurements of defined benefit obligation	5.1	–201.5	–11.0	–21.7	5.0	–17.5	–0.9	–240.7
thereof effect of changes in demographic assumptions	–	–	2.7	0.1	0.1	–1.0	2.8	–0.9
thereof effect of changes in financial assumptions	10.1	–199.2	–13.2	–16.5	4.1	–17.5	1.0	–233.2
thereof experience adjustments	–5.0	–2.3	–0.5	–5.3	0.9	1.0	–4.7	–6.6
Gains (+) and losses (–) arising from remeasurements of plan assets	–1.9	1.5	3.3	16.0	0.6	6.5	2.0	24.0
Accumulated other comprehensive income / loss as at 31/12/	**–114.8**	**–118.0**	**–44.1**	**–37.0**	**–14.4**	**–20.2**	**–173.3**	**–175.1**

The first-time adoption of IAS 19 (rev. 2011) resulted in a €4.3 million increase in equity as at 1 January 2012 (after deferred taxes) in relation to defined benefit pension entitlements. Further information can be found in note [7].

The gains and losses on the remeasurement of plan assets are attributable entirely to experience adjustments. The changes in estimates relating to defined benefit pension entitlements resulted in a €0.7 million increase in equity as at 31 December 2013 (after deferred taxes).

Composition of plan assets

The plan assets of the main pension plans consist of the following components: >> TABLE 075

Fair value of plan assets >> TABLE 075

	Germany		UK		Other		Total	
in € million	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Securities	10.2	7.1	96.0	86.9	8.4	8.5	114.6	102.5
Fixed-income securities	15.7	18.3	344.8	259.6	12.1	11.7	372.7	289.6
Real estate	2.1	1.6	–	–	4.0	3.9	6.1	5.4
Insurance policies	–	–	–	–	33.9	32.6	33.9	32.6
Other	13.9	13.0	0.8	93.0	3.2	2.2	18.0	108.3
Total plan assets	**41.9**	**40.0**	**441.6**	**439.5**	**61.7**	**58.9**	**545.2**	**538.4**
thereof total assets that do not have a quoted price in active markets	**9.0**	**9.0**	**–**	**–**	**34.7**	**32.6**	**43.7**	**41.6**
Insurance policies	–	–	–	–	33.9	32.6	33.9	32.6
Other	9.0	9.0	–	–	0.8	–	9.8	9.0

The plan assets do not include any real estate or other assets used by the KION Group itself. The Other category largely comprises inflation-linked UK government bonds for four large plans in the United Kingdom.

Sensitivity analysis

The present value of the defined benefit obligation is based on the assumptions detailed in >> *TABLE 067* above. If one assumption were to vary and the other assumptions remained unchanged, the impact on the present value of the defined benefit obligation would be as shown in >> *TABLE 076*.

Sensitivity is determined using the same methods (projected unit credit method) as for the measurement of the obligation recognised in the consolidated statement of financial position as at 31 December 2013.

In line with IAS 19.173 (b), no comparative figures for 2012 are disclosed for the sensitivity analysis.

Duration

As at the reporting date, the weighted average duration of the obligation was 17.4 years (2012: 16.6 years).

Risks

The funding ratio, the defined benefit obligation and the associated costs depend on the performance of financial markets. The return on plan assets is assumed to equal the discount rate, which is determined on the basis of the yield earned on AA-rated, investment-grade, fixed-interest corporate bonds. If the actual return on plan assets falls below the discount rates applied, the net obligation arising out of the pension plans increases. The amount of the net obligation is also particularly affected by the discount rates, and the current low level of interest rates – especially in the eurozone – is resulting in a comparatively large net obligation.

The plan assets are predominantly invested in corporate bonds and inflation-linked UK government bonds, particularly in the United Kingdom. The market risk attaching to plan assets – above all in the case of equities – is mitigated by defining an investment strategy and guidelines and constantly monitoring the assets' performance. Moreover, a downward trend on financial markets could have a significant effect on minimum funding requirements, some of which apply outside Germany.

The KION Group also bears the full risk of possible future pension adjustments resulting from changes in longevity and inflation.

Payroll-based contributions by employees in Germany are invested in fund units. If the actual returns on these fund units fall below the interest rate of 3.0 per cent that has been guaranteed to participating employees, the KION Group's personnel expenses rise.

Sensitivity defined benefit obligation >> *TABLE 076*

		2013
Discount rate	Increase by 1.0 percentage point	–159.4
	Reduction by 1.0 percentage point	207.8
Salary increase rate	Increase by 0.5 percentage point	12.9
	Reduction by 0.5 percentage point	–11.7
Pension increase rate	Increase by 0.25 percentage point	32.7
	Reduction by 0.25 percentage point	–27.5
Life expectancy	Increase by 1 year	34.1

[29] FINANCIAL LIABILITIES

The financial liabilities reported by the KION Group essentially comprise interest-bearing liabilities to banks and capital market liabilities in connection with the corporate bonds that were issued. The liabilities to banks stem largely from the new revolving loan facility.

The following table shows the maturity structure of the financial liabilities: >> TABLE 077

Maturity structure of financial liabilities >> TABLE 077

in € million	2013	2012
Liabilities to banks	**233.7**	**1,858.4**
due within one year	224.6	51.2
due in one to five years	9.1	1,692.1
due in more than five years	–	115.2
Corporate bond	**958.3**	**489.5**
due within one year	–	–
due in one to five years	319.5	–
due in more than five years	638.8	489.5
Other liabilities	**6.6**	**4.5**
due within one year	2.9	0.6
due in one to five years	–	–
due in more than five years	3.7	3.9
Total current liabilities	**227.5**	**51.8**
Total non-current liabilities	**971.1**	**2,300.7**

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 €3,300.0 million 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.

In 2013, the long-term bank loans under the acquisition finance arrangements (tranches B and C) of €1,714.1 million were repaid in full along with the interest that was due as a bullet payment on maturity. The floating-rate tranche (tranche H1b) of the corporate bond of €175.0 million that was issued in 2011 and was due to mature in 2018 was repaid early in full. On repayment of the SFA liabilities and the floating rate note due in 2018, an amount of €24.5 million representing the proportion of the related deferred borrowing costs was recognised as a financial expense. Of this total, €21.2 million related to the repaid bank liabilities and €3.3 million related to the repaid capital market liabilities. The funds for the repayment were generated by the corporate bond issued in February 2013 (tranches H2a and H2b), the inflows from the IPO and the Weichai capital increase. In 2013, financial expenses of €18.3 million arising from the unwinding of interest-rate hedges were also incurred in connection with repayment of the SFA liabilities, of which €14.4 million impacted cash flow.

The loan (tranche G) of €100.0 million (plus accrued interest of €17.0 million) was converted into equity in June 2013. In doing so, Superlift Holding S.à r.l., Luxembourg, transferred all rights and duties arising out of the loan with Superlift Funding S.à r.l., Luxembourg and all of the shares in the latter to KION GROUP AG as part of a capital increase.

In connection with the IPO, the KION Group agreed a new revolving loan facility with a group of banks under the SFA for €995.0 million with a term to maturity of five years after the IPO. The loan facility was increased to €1,045.0 million in December 2013. As at 31 December 2013, €184.4 million had been drawn down under this newly agreed revolving loan facility of €1,045.0 million – including other loan liabilities of individual Group companies outside Germany and contingent liabilities. The directly attributable transaction costs of €9.3 million have been recognised as prepaid expenses under current financial assets and expensed over the term of the loan facility. Combined with lower margins, this loan facility offers more favourable credit terms in line with those typically available to comparable listed companies.

Corporate bond

The KION Group issued a corporate bond for €650.0 million through the consolidated subsidiary KION Finance S.A., Luxembourg, in February 2013. Of the bond's total par value of €650.0 million, €450.0 million is repayable at a fixed interest rate of 6.75 per cent p.a., while €200.0 million carries a floating interest rate based on three-month Euribor plus a margin of 4.5 percentage points. The payout amount for the variable portion was €1.0 million below the par value (discount). The interest on the fixed-rate tranche is paid semi-annually, while interest on the floating-rate tranche is paid once a quarter. Excluding early repayment options, the contract stipulates repayment as a bullet payment on maturity in February 2020. Of the total proceeds of €649.0 million, €636.0 million was used to repay existing liabilities under the SFA. A further €12.7 million relates to settlement of the transaction costs incurred for the issuance of the corporate bond, which is allocated pro rata to the two tranches and expensed over their terms. In addition, the floating-rate tranche, which was due to mature in 2018 and amounted to €175.0 million, was repaid in full on 19 July 2013. Upon repayment, associated transaction costs of €3.3 million were derecognised and taken to income. The fixed-rate tranche of the bond issued in 2011, which has a volume of €325.0 million and a maturity date of 2018, remains unchanged.

Changes in net financial debt

The KION Group uses its net financial debt as a key internal figure for analysing the changes in its financial liabilities. Net financial debt is defined as the difference between financial liabilities (excluding lease liabilities) and cash and cash equivalents.

The inflows from the IPO and the capital increases were predominantly used for the repayments. As a result, net financial debt fell significantly in 2013. The table below gives a breakdown of the KION Group's net financial debt as at 31 December 2013: >> TABLE 078

In 2013, the KION Group made payments totalling €1,714.1 million to repay long-term SFA bank liabilities and €175.0 million to fully repay the floating-rate tranche of the corporate bond issued in 2011 that was due to mature in 2018. The funds for the repayment were generated by issuance of a new corporate bond in February 2013 (€649.0 million after deduction of the discount of €1.0 million), the inflows from the IPO and the Weichai capital increase, which together totalled €732.5 million (after deduction of banking fees), part of the new revolving loan facility and existing cash reserves.

Net financial debt >> TABLE 078

in € million	2013	2012
Corporate bond – fixed rate (2011/2018) – gross	325.0	325.0
Corporate bond – floating rate (2011/2018) – gross	–	175.0
Corporate bond – fixed rate (2013/2020) – gross	450.0	–
Corporate bond – floating rate (2013/2020) – gross	200.0	–
Liabilities to banks (gross)	233.7	1,882.1
Liabilities to non-banks (gross)	6.6	4.5
./. Capitalised borrowing costs	–16.7	–34.1
Financial debt	**1,198.6**	**2,352.4**
./. Cash and cash equivalents	219.3	562.4
Net financial debt	**979.3**	**1,790.1**

The table below gives details of the changes in financial debt and lists the applicable terms and conditions: >> TABLE 079

Credit terms >> TABLE 079

in € million	Interest rate	Notional amount 2013	Notional amount 2012	Maturity
Term Loan Facility B1 (EUR)	EURIBOR + Margin	–	138.5	2014
Term Loan Facility B2 (EUR)	EURIBOR + Margin	–	411.1	2017
Term Loan Facility B1 (USD)	LIBOR + Margin	–	108.0	2014
Term Loan Facility B2 (USD)	LIBOR + Margin	–	79.1	2017
Term Loan Facility C1 (EUR)	EURIBOR + Margin	–	286.6	2015
Term Loan Facility C2 (EUR)	EURIBOR + Margin	–	382.8	2017
Term Loan Facility C1 (USD)	LIBOR + Margin	–	227.1	2015
Term Loan Facility C2 (USD)	LIBOR + Margin	–	81.3	2017
Term Loan Facility G	EURIBOR + Margin	–	116.0	2018
Term Loan Facility H1a (Corporate bond – fixed rate)	Fixed rate	325.0	325.0	2018
Term Loan Facility H1b (Corporate bond – floating rate)	3-M-EURIBOR+Margin	–	175.0	2018
Term Loan Facility H2a (Corporate bond – fixed rate)	Fixed rate	450.0	–	2020
Term Loan Facility H2b (Corporate bond – floating rate)	3-M-EURIBOR+Margin	200.0	–	2020
Multicurrency Revolving Credit Facility 3	EURIBOR + Margin	130,0	–	2018
Multicurrency Capex Restructuring and Acquisition Facility	EURIBOR + Margin	–	18.2	2013
Other liabilities to banks		103,7	33.3	
Other financial liabilities to non-banks		6,6	4.5	
./. Capitalised borrowing costs		– 16,7	–34.1	
Total financial debt		**1,198.6**	**2,352.4**	

Financial covenants

The SFA and the contractual terms and conditions governing the issuance of the corporate bond require compliance with certain undertakings and covenants. 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 gearing, available liquidity, EBITDA, interest paid and capital expenditure. Since the IPO and the associated amendment of the credit terms under the SFA, only the financial covenant for gearing (the ratio of net financial debt to EBITDA) now applies. 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.

Loan collateral

Under the SFA, the KION Group is under an obligation to provide collateral for its obligations and liabilities. This obligation also extends to the corporate bonds (tranches H1a, H2a and H2b). By the reporting date, a total of 26 (31 December 2012: 26) KION Group companies (guarantors) in five countries – Germany, the UK, France, Spain and Italy – had provided the necessary collateral.

The collateral includes guarantees, the assignment of shares in the guarantors (with the exception of shares in KION Material Handling GmbH (formerly KION GROUP GmbH)), the assignment of certain bank accounts and certain 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 mean that all the assets of the UK guarantors are pledged as security.

The carrying amounts of the financial assets pledged as collateral amounted to €348.7 million as at the reporting date (31 December 2012: €566.3 million).

As had been the case at the end of 2012, no material liabilities to banks were secured by mortgage charges at the end of 2013.

[30] LEASE LIABILITIES

Lease liabilities relate solely to finance lease obligations arising from sale and leaseback transactions for the funding of long-term leases with customers.

The amounts recognised as lease liabilities are based on the following data: >> TABLE 080

Minimum lease payments >> *TABLE 080*

in € million	2013	2012
Total minimum lease payments (gross)	**683.8**	**524.4**
due within one year	241.1	166.8
due in one to five years	425.6	344.6
due in more than five years	17.1	13.0
Present value of minimum lease payments	**617.1**	**475.0**
due within one year	213.3	145.8
due in one to five years	387.3	316.8
due in more than five years	16.4	12.4
Interest included in minimum lease payments	**66.7**	**49.4**

[31] OTHER PROVISIONS

Other provisions relate to the following items: >> TABLE 081

Other provisions >> TABLE 081

in € million	Provisions for product warranties	Provisions for personnel	Other obligations	Total other provisions
Balance as at 01/01/2013	**64.4**	**88.5**	**72.6**	**225.5**
thereof non-current	61.4	18.4	9.4	89.1
thereof current	3.0	70.1	63.2	136.4
Changes in group of consolidated entities	0.2	0.1	4.5	4.8
Additions	16.8	8.4	10.6	35.9
Utilisations	–16.5	–31.2	–8.3	–56.0
Reversals	–10.4	–1.1	–10.9	–22.4
Additions to accrued interest	0.1	1.1	0.0	1.2
Exchange differences	–0.7	–0.3	–1.2	–2.3
Other adjustments	–0.1	–0.4	0.6	0.1
Balance as at 31/12/2013	**53.8**	**65.1**	**68.0**	**186.9**
thereof non-current	53.5	16.8	6.3	76.5
thereof current	0.4	48.3	61.6	110.3

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, severance pay and obligations under social plans. The provision for partial retirement obligations is recognised on the basis of individual contractual arrangements.

Other obligations largely comprise provisions for restructuring, litigation and expected losses from onerous contracts.

The KION Group had recognised restructuring provisions (including obligations under social plans) totalling €28.9 million in 2012, predominantly in connection with the relocation of production. In 2013, the KION Group recognised restructuring provisions (including obligations under social plans) totalling €3.7 million, predominantly in connection with the planned closure of production sites. Total restructuring provisions (including obligations under social plans) came to €43.7 million as at 31 December 2013 (31 December 2012: €65.0 million).

[32] OTHER FINANCIAL LIABILITIES

Other financial liabilities comprise the following items: >> TABLE 082

Other financial liabilities >> TABLE 082

in € million	2013	2012
Liabilities from finance leases	220.0	208.1
Deferred income	139.4	132.7
Sundry other liabilities	5.6	4.3
Derivative financial instruments	27.2	10.0
Other non-current liabilities	**392.1**	**355.1**
Liabilities from finance leases	143.0	92.2
Deferred income	81.3	84.4
Personnel liabilities	162.0	161.6
Derivative financial instruments	1.9	33.6
Social security liabilities	36.4	40.5
Tax liabilities	66.3	65.9
Advances received from third parties	32.4	37.6
Liabilities on bills of exchange	1.8	2.3
Liabilities from accrued interest	18.9	9.6
Sundry current financial liabilities	33.4	29.4
Other current liabilities	**577.3**	**557.0**
Total other liabilities	**969.4**	**912.1**

The non-current derivative financial instruments include, among other things, two call options on the remaining shares in Linde Hydraulics amounting to €27.2 million (2012: €16.5 million).

The finance lease obligations comprise liabilities arising from the financing of industrial trucks for short-term rental of €327.5 million (2012: €263.7 million) and residual value obligations of €17.3 million (2012: €21.4 million). The KION Group has also recognised other financial liabilities amounting to €18.2 million (31 December 2012: €15.2 million) arising from procurement leases, which are classified as finance leases due to their terms and conditions.

The finance lease obligations are based on the following future minimum rental payments: >> TABLE 083

Minimum lease payments >> TABLE 083

in € million	2013	2012
Total minimum lease payments (gross)	**402.2**	**331.6**
due within one year	159.3	105.5
due in one to five years	235.3	217.9
due in more than five years	7.5	8.2
Present value of minimum lease payments	**363.0**	**300.3**
due within one year	143.0	92.2
due in one to five years	212.9	200.3
due in more than five years	7.1	7.9
Interest included in minimum lease payments	**39.2**	**31.2**

[33] CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

Contingent liabilities

Contingent liabilities *>> TABLE 084*

in € million	2013	2012
Liabilities on bills of exchange	1.1	4.4
Liabilities on guarantees	4.5	3.2
Collateral security for third-party liabilities	0.2	0.1
Total contingent liabilities	**5.8**	**7.7**

Guarantees amounting to €2.1 million (2012: €0.8 million) relate to contingent liabilities assumed jointly with another shareholder of a joint venture.

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 unlikely that these ongoing lawsuits will require funds to be utilised that exceed the provisions recognised.

Other financial commitments

Other financial commitments >> TABLE 085

in € million	2013	2012
Commitments under non-cancellable operating leases	206.0	194.2
Capital expenditure commitments in property, plant and equipment	8.6	7.2
Capital expenditure commitments in intangible assets	2.2	2.6
Other financial commitments	15.3	18.5
Total other financial commitments	**232.1**	**222.5**

The maturity structure of the total future minimum lease payments under non-cancellable operating leases is as follows: >> TABLE 086

Minimum lease payments >> TABLE 086

in € million	2013	2012
Nominal minimum lease payments	**206.0**	**194.2**
due within one year	71.2	38.8
due in one to five years	99.3	90.4
due in more than five years	35.4	65.0

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). >> TABLE 087

Minimum lease payments broken down into procurement leases & sale and leaseback sub-leases >> TABLE 087

	Procurement leases		Sale-and-leaseback-subleases	
in € million	**2013**	**2012**	**2013**	**2012**
Minimum lease payments (cash out)	**145.3**	**142.1**	**60.7**	**52.1**
due within one year	38.5	21.3	32.7	17.5
due in one to five years	71.4	55.7	27.9	34.6
due in more than five years	35.4	65.0	0.0	0.0
Minimum lease payments (cash in)	**–**	**–**	**3.9**	**6.8**
due within one year	–	–	1.7	3.6
due in one to five years	–	–	2.2	3.3
due in more than five years	–	–	0.0	0.0

The future minimum lease payments for sale and leaseback transactions not recognised in the statement of financial position amounting to €60.7 million are partially offset by payments received under non-cancellable sub-leases amounting to €3.9 million. 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

[34] CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows shows the changes in cash and cash equivalents in the KION Group resulting from cash inflows and outflows in the year under review, broken down into cash flow from operating, investing and financing activities. The effects on cash from changes in exchange rates are shown separately. Cash flow from operating activities is presented using the indirect method in which the profit or loss for the year is adjusted for non-cash operating items.

Cash flow from operating activities decreased by 18.9 per cent to €336.1 million in 2013 (2012: €414.0 million). EBIT fell sharply from €549.1 million in 2012 to €374.2 million in the reporting period, although EBIT in the previous year had included, among things, income of €211.8 million from the sale of the hydraulics business that did not impact on cash flow from operating activities. The significant year-on-year decrease was largely due to one-off tax payments of €57.7 million in connection with the sale of the hydraulics business in 2012.

Net cash used for investing activities amounted to €133.5 million. The net cash provided by investing activities in 2012 of €104.1 million included proceeds of €259.7 million from the sale of the hydraulics business. Cash payments for capital expenditure on non-current assets and property, plant and equipment came to a total of €125.8 million (2012: €155.1 million). In the Linde Material Handling and STILL operating segments, the volume of capital expenditure was below that of the comparable prior-year period because the hydraulics business (which had high levels of capital expenditure) in the LMH segment and the new plant in Brazil in the STILL segment had led to higher cash payments in 2012. The net cash used for the acquisition of the Arser Group in Turkey amounted to €3.9 million (after deduction of the cash received). The acquisition of 51 per cent of Willenbrock Fördertechnik Holding GmbH led to a further outflow of funds of €21.2 million in December 2013. In the previous year, €9.7 million of the outflow of funds was attributable to the acquisition of a majority stake in Linde Creighton.

The proceeds from the disposal of non-current assets primarily related to disposals of assets no longer required for the Group's operating activities.

Cash flow from financing activities amounted to minus €538.6 million (2012: minus €330.1 million). Financial debt increased by €649.0 million due to the issuance of the senior secured bond in February 2013. In addition, €184.4 million had been drawn down from the new revolving loan facility totalling €1,045.0 million as at 31 December 2013. As a result of the capital increases from Weichai and the IPO at the end of June 2013, the capital contributions made up to 31 December 2013 totalled €741.8 million. In total, these transactions plus existing cash enabled the repayment of financial liabilities of €1,714.1 million relating to the Senior Facilities Agreement (SFA) as well as the early redemption of the 2011/2018 floating rate note amounting to €175.0 million. Gross repayments of all the KION Group's financial liabilities (including PIK interest) amounted to a total outflow over the period as a whole of €2,201.6 million. This amount was partly offset by taking up financial debt of €1,095.9 million – including the corporate bond issued in 2013. The cash payments for costs incurred in connection with the debt and equity transactions mentioned above amounted to €56.3 million (2012: €15.6 million). In the third quarter, 200,000 treasury shares worth €5.6 million were purchased on the stock exchange for the new employee share programme. Regular interest payments were €10.1 million lower than in 2012 and amounted to €119.6 million in the reporting period. These interest payments included a non-recurring outflow of funds of €14.4 million resulting from the termination of interest-rate hedging instruments in connection with the previous acquisition finance arrangements. The net cash outflow from financing activities in 2012 (€330.1 million) was also largely attributable to the repayment of loans.

The inflows from the IPO and the capital increases as well as the existing cash from 2012 were predominantly used for the repayments. Overall, this resulted in a sharp contraction in cash and cash equivalents, which fell from €562.4 million as at the end of 2012 to €219.3 million as at 31 December 2013. There was also a decrease in cash and cash equivalents of €7.0 million owing to currency effects (2012: increase of €1.0 million).

[35] 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: >> TABLES 088–089

Carrying amounts broken down by class and category 2013 >> TABLE 088

		Categories						
Classes	**Carrying amount**	**FAHfT**	**AfS**	**LaR**	**HtM**	**FLaC**	**FLHfT**	**Fair value**
in € million								
Financial assets								
Investments in non-consolidated subsidiaries/Other investments	11.9		11.9					11.9
Loans receivable	0.8			0.8				0.8
Financial receivables	11.6			11.6				11.6
Available-for-sale investments	0.8		0.8					0.8
Lease receivables*	479.6							478.4
Trade receivables	558.7			558.7				558.7
Other receivables	55.0							55.0
thereof non-derivative receivables	35.7			35.7				35.7
thereof derivative receivables	19.4	18.0						19.4
Cash and cash equivalents	219.3			219.3				219.3
Financial liabilities								
Liabilities to banks	233.7					233.7		234.1
Corporate bond	958.3					958.3		1,040.8
Other financial liabilities to non-banks	6.6					6.6		6.6
Lease liabilities*	617.1							619.2
Trade payables	550.5					550.5		550.5
Other liabilities	554.4							555.5
thereof non-derivative liabilities	162.4					162.4		162.4
thereof liabilities from finance leases*	363.0							364.1
thereof derivative liabilities	29.1						28.0	29.1

* as defined by IAS 17

Carrying amounts broken down by class and category 2012 >> *TABLE 089*

Classes	Carrying amount	Categories FAHfT	AfS	LaR	HtM	FLaC	FLHfT	Fair value
in € million								
Financial assets								
Investments in non-consolidated subsidiaries / Other investments	6.2		6.2					6.2
Loans receivable	0.7			0.7				0.7
Financial receivables	9.6			9.6				9.6
Available-for-sale investments	0.8		0.8					0.8
Lease receivables*	399.3							398.2
Trade receivables	625.5			625.5				625.5
Other receivables	59.2							59.2
thereof non-derivative receivables	35.2			35.2				35.2
thereof derivative receivables	23.9	21.1						23.9
Cash and cash equivalents	562.4			562.4				562.4
Financial liabilities								
Liabilities to banks	1,858.4					1,858.4		1,858.4
Corporate bond	489.5					489.5		530.9
Other financial liabilities to non-banks	4.5					4.5		4.5
Lease liabilities*	475.0							475.8
Trade payables	646.0					646.0		646.0
Other liabilities	503.1							503.6
thereof non-derivative liabilities	159.2					159.2		159.2
thereof liabilities from finance leases*	300.3							300.8
thereof derivative liabilities	43.6						24.0	43.6

* as defined by IAS 17

As at 31 December 2013, trade payables of €550.5 million included liabilities to affiliated companies of €4.5 million (31 December 2012: €5.9 million) and liabilities to other long-term investees and investors of €6.0 million (31 December 2012: €5.6 million).

The change in valuation allowances for trade receivables was as follows: >> TABLE 090

Change in valuation allowances >> TABLE 090

in € million	2013	2012
Valuation allowances as at 01/01/	**50.5**	**49.6**
Group changes	–0.2	–0.5
Additions (cost of valuation allowances)	9.4	12.0
Reversals	–7.5	–2.8
Utilisations	–9.2	–7.6
Currency translation adjustments	–0.7	–0.2
Valuation allowances as at 31/12/	**42.4**	**50.5**

The net gains and losses on financial instruments are broken down by IAS 39 category as follows: >> TABLE 091

Net gains and losses on financial instruments broken down by category >> TABLE 091

in € million	2013	2012
Loans and receivables (LaR)	11.0	–1.6
Financial assets held for trading (FAHfT)	3.6	9.0
Financial liabilities held for trading (FLHfT)	–17.8	–11.9
Financial liabilities carried at amortised cost (FLaC)	–152.9	–179.2

The above gains and losses do not include losses arising on hedging transactions amounting to €26.7 million (2012: €19.9 million) because these losses form part of a documented hedge.

Offsetting of financial instruments

The potential offsetting volume essentially arises from netting arrangements in framework agreements governing derivatives trading that the KION Group concludes with commercial banks. The potential offsetting volume reported in connection with financial collateral issued relates to collateral provided in the context of the SFA serving as collateral in case of default for the creditors of all SFA tranches (including H1 and H2), subject to the usual limitations and agreed recovery principles. The following tables show actual offsetting and potential offsetting volumes for financial assets and financial liabilities. >> TABLES 092-095

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements >> TABLE 092

				Potential net amount		
in € million	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	owing to netting agreements	in connection with financial collaterals received	Potential net amount
			31/12/2013			
Trade receivables	560.8	–2.1	558.7	–	–	558.7
Derivative financial assets	19.4	–	19.4	–0.9	–	18.5
Total	**580.1**	**–2.1**	**578.1**	**–0.9**	**–**	**577.2**

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements *>> TABLE 093*

in € million	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Potential net amount: owing to netting agreements	Potential net amount: in connection with financial collaterals received	Potential net amount
	31/12/2012					
Trade receivables	627.9	–2.5	625.5	–	–	625.5
Derivative financial assets	23.9	–	23.9	–3.3	–	20.6
Total	**651.9**	**–2.5**	**649.4**	**–3.3**	**–**	**646.1**

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements *>> TABLE 094*

in € million	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Potential net amount: owing to netting agreements	Potential net amount: in connection with financial collaterals received	Potential net amount
	31/12/2013					
Financial liabilities	1,198.6	–	1,198.6	–	–348.7	849.9
Trade payables	552.6	–2.1	550.5	–	–	550.5
Derivative financial liabilities	29.1	–	29.1	–0.9	–	28.2
Total	**1,780.3**	**–2.1**	**1,778.2**	**–0.9**	**–348.7**	**1,428.7**

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements >> TABLE 095

in € million	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Potential net amount: owing to netting agreements	Potential net amount: in connection with financial collaterals received	Potential net amount
			31/12/2012			
Financial liabilities	2,352.4	–	2,352.4	–	–566.3	1,786.1
Trade payables	648.5	–2.5	646.0	–	–	646.0
Derivative financial liabilities	43.6	–	43.6	–3.3	–	40.3
Total	**3,044.5**	**–2.5**	**3,042.0**	**–3.3**	**–566.3**	**2,472.5**

Fair value measurement

The majority of the cash and cash equivalents, loans, 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 are roughly equal to their fair values. The fair value of liabilities to banks corresponds to the present value of the outstanding payments, taking account of the current interest-rate curve and the Group's own default risk. This fair value, calculated for the purposes of disclosure in the notes to the financial statements, is classified as level 2 of the fair value hierarchy.

The fair value of the corporate bonds issued, calculated for disclosure in the notes to the financial statements, is determined using publicly quoted prices in an active market and is therefore classified as level 1 of the fair value hierarchy. The calculation is based on the middle rate applicable on the reporting date.

The fair value of receivables and liabilities from finance leases corresponds to the present value of the net lease payments, taking account of the current market interest rate for similar leases.

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

The following tables show the assignment of fair values to the individual classification levels as defined by IFRS 7 for financial instruments measured at fair value. >> TABLES 096 – 097

Financial instruments measured at fair value

>> TABLE 096

in € million	Fair Value Hierarchy Level 1	Level 2	Level 3	2013
Financial assets				**20.2**
thereof available-for-sale	0.8			0.8
thereof derivative instruments		3.6	15.7	19.4
Financial liabilities				**29.1**
thereof derivative instruments		1.9	27.2	29.1

Financial instruments measured at fair value

>> TABLE 097

in € million	Fair Value Hierarchy Level 1	Level 2	Level 3	2012
Financial assets				**24.7**
thereof available-for-sale	0.8			0.8
thereof derivative instruments		4.2	19.7	23.9
Financial liabilities				**43.6**
thereof derivative instruments		27.1	16.5	43.6

Level 1 comprises available-for-sale assets for which the fair value is calculated using prices quoted in an active market.

All interest-rate swaps and currency forwards are classified as Level 2. The fair value of derivative financial instruments is determined using appropriate valuation methods on the basis of the observable market information at the reporting date. The default risk for the Group and for the counterparty is taken into account on the basis of gross figures. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. Both contractually agreed payments and forward interest rates are used to estimate the future cash flows, which are then discounted on the basis of a yield curve that is observable in the market. There were no longer any material interest-rate hedging instruments as at 31 December 2013. The fair value of currency forwards is calculated by the system using the discounting method based on forward rates on the reporting date.

The financial assets and liabilities allocated to Level 3 relate to a put option held by Linde Material Handling GmbH, Aschaffenburg, and two call options held by Weichai Power on the remaining shares in Linde Hydraulics. The Black-Scholes model is used to calculate the fair value of the put option and the two call options. At 31 December 2013, the material changes in fair value and the impact on the income statement were as follows. >> TABLES 098 – 099

Development of financial assets / liabilities classified as level 3 >> TABLE 098

in € million	2013
Value as at 1/1/2013	**3.2**
Losses recognised in net financial expenses	–14.7
Value as at 31/12/2013	**–11.5**
Losses of the period relating to financial assets / liabilities held as at 31/12/2013	–14.7
Change in unrealised losses for the period relating to financial assets / liabilities held as at 31/12/2013	–14.7

Significant unobservable inputs of level 3 *>> TABLE 099*

Financial assets / liabilities	Input	2013
Put-Option	Initial exercise price (in € million)	77.4
	Fair value of the remaining shares in Linde Hydraulics (in € million)	116.1
	Residual time (in years)	1.49 – 3.49
Call-Option 1	Initial exercise price (in € million)	77.4
	Fair value of the remaining shares in Linde Hydraulics (in € million)	116.1
	Residual time (in years)	3.99
Call-Option 2	Initial exercise price (in € million)	38.7
	Fair value of the remaining shares in Linde Hydraulics (in € million)	116.1
	Residual time (in years)	1.49 – 3.99

The fair values are measured using probability-weighted scenario analysis, on which the key, unobservable input parameters in the table above are based.

As at 31 December 2013, the net value calculated for the options on the remaining shares in Linde Hydraulics came to minus €11.5 million (31 December 2012: €3.2 million). If the fair value of the shares had been 10 per cent lower on the reporting date, the net value arising from the options would have increased by €9.4 million (31 December 2012: €8.3 million) to minus €2.1 million (31 December 2012: €11.5 million) and the expense would have decreased by €9.4 million (31 December 2012: additional gain of €8.3 million). A 10.0 per cent rise in the fair value of the shares in Linde Hydraulics would have reduced the net value arising from the options by €9.4 million (31 December 2012: €9.0 million) to minus €20.9 million (31 December 2012: minus €5.8 million) and led to an additional expense of €9.4 million (31 December 2012: €9.0 million).

In order to eliminate default risk to the greatest possible extent, the KION Group only enters into derivatives with investment-grade counterparties.

If events or changes in circumstances make it necessary to reclassify financial instruments as a different level, they are reclassified at the end of a reporting period. No financial instruments were transferred between Levels 1, 2 or 3 in 2013.

[36] 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. The inflows from the IPO and the capital increases as well as the existing cash from 2012 were predominantly used for repayment of the SFA liabilities and the floating rate note, which had been due in 2018. Following on from the amendment and extension of the SFA loan in July 2012, a further corporate bond was issued in February 2013 (see ‘Credit terms’ table in note [29]) as another way of meeting long-term financing requirements.

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

Net financial debt – defined as the difference between financial liabilities (excluding lease liabilities) and cash and cash equivalents – is the key performance measure used in liquidity planning at Group level (see note [29]) and amounted to €979.3 million in 2013 (2012: €1,790.1 million).

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: >> TABLE 100

Age structure analysis of receivables >> TABLE 100

				Thereof: Not impaired at the reporting date, but	
in € million 2013	Carrying amount	Thereof: Neither overdue nor impaired at the reporting date	Thereof: Overdue and impaired at the reporting date	up to and including 90 days overdue	more than 90 days overdue
Financial receivables	11.6	11.6	–	–	–
Lease receivables	479.6	479.6	–	–	–
Trade receivables	558.7	452.7	2.8	97.2	4.5
Other non-derivative receivables	35.7	34.6	0.5	0.4	0.2
in € million 2012					
Financial receivables	9.6	9.6	–	–	–
Lease receivables	399.3	399.3	–	–	–
Trade receivables	625.5	485.6	16.8	110.2	5.5
Other non-derivative receivables	35.2	34.5	0.7	–	0,0

Impairment losses are based on the credit risk associated with the receivables, the risk being assessed mainly using factors such as customer credit rating and failure to adhere to 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. 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 continually. The inflows from the IPO and the capital increases were predominantly used for the repayments. This led to an improvement in the age structure in the reporting year. As a result of the IPO, there was also a significant improvement in the KION Group's credit profile, and consequently in its credit rating. In July 2013, Moody's upgraded its corporate family rating by three notches, from B3/positive to Ba3/stable, while Standard & Poor's also significantly improved its rating for the KION Group, from B/stable to BB-/positive.

All of the contractually agreed payments under recognised financial liabilities as at 31 December 2013 and 2012, including derivative financial instruments with negative fair values, are shown in >> TABLES 101 – 102

Liquidity analysis of financial liabilities and derivatives 2013 — *>> TABLE 101*

in € million	Carrying amount 2013	Cash flow 2014	Cash flow 2015 – 2018	Cash flow from 2019
Primary financial liabilities				
Liabilities to banks	233.7	–229.7	–11.1	–0.1
Corporate bond	975.0	–66.0	–583.7	–713.6
Borrowing costs	–16.7			
	1,192.0			
Other financial liabilities	6.6	–2.9	–	–4.1
Trade payables	550.5	–550.5	–	–
Lease liabilities	617.1	–241.1	–425.6	–17.1
Other liabilities	525.3	–321.7	–235.3	–7.5
Derivative financial liabilities				
Derivatives with negative fair value	1.9			
+ Cash in		147.0	1.5	–
– Cash out		–148.7	–1.7	–

Liquidity analysis of financial liabilities and derivatives 2012 >> TABLE 102

in € million	Carrying amount 2012	Cash flow 2013	Cash flow 2014 – 2017	Cash flow from 2018
Primary financial liabilities				
Liabilities to banks	1,882.1	–124.4	–1,994.4	–149.8
Corporate bond	500.0	–33.7	–138.4	–517.9
Borrowing costs	–34.1			
	2,347.9			
Other financial liabilities	4.5	–0.6	–	–5.3
Trade payables	646.0	–646.0	–	–
Lease liabilities	475.0	–166.8	–344.6	–13.0
Other liabilities	443.0	–248.1	–217.9	–8.2
Derivative financial liabilities				
Derivatives with negative fair value	27.1			
+ Cash in		438.2	5.0	–
– Cash out		–452.6	–13.8	–

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 2013. They included guarantees payable 'on first demand'. No guarantees were utilised in 2013.

In some cases, the KION Group retains insignificant rights and duties in connection with fully derecognised financial assets, primarily the provision of limited reserves for defaults. The recognised assets that serve as reserves for defaults and are reported under other current financial assets, stood at €1.0 million as at 31 December 2013 (31 December 2012: €0.0 million). However, the short residual maturity of these financial assets meant their carrying amount was almost the same as their fair value. The maximum downside risk arising on the transferred and fully derecognised financial assets amounted to €5.0 million as at 31 December 2013 (31 December 2012: €0.0 million).

Default risk

For financial assets, default risk is defined as the risk that a counterparty will default, and hence 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, and potential netting agreements.

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 arising from financial services

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.

The KION Group 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 account of any changes in residual values when calculating new leases.

In addition, residual values are mainly based on remarketing agreements that continued to achieve positive outcomes in 2013; any residual-value risk under these agreements is transferred to the external leasing company. Groupwide 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 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.

In order to exclude currency 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 did not identify any material year-on-year changes in 2013. The KION Group'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 the KION Group bears the counterparty risk in less than 5 per cent of cases. The credit risk management system was refined as part of the work to transfer 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.

Currency risk

In accordance with its treasury risk policy, the KION Group hedges currency risks both locally at the level of the individual companies and centrally via KION Material Handling 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 company 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 [37]).

Foreign-currency forwards are also employed to hedge the currency risks arising in the course of internal financing.

The following table shows an overview of the foreign-currency forwards entered into by the KION Group. >> TABLE 103

Foreign-currency forwards >> TABLE 103

in € million		Fair value 2013	Fair value 2012	National amount 2013	National amount 2012
Foreign-currency forwards (assets)	Hedge	1.3	2.9	65.0	89.2
	Trading	2.3	1.3	164.7	103.7
Foreign-currency forwards (liabilities)	Hedge	0.7	1.0	33.4	29.8
	Trading	0.8	7.4	115.7	414.2

Significant currency 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 a historical variance-covariance matrix. Currency 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 currency risks resulting from the translation of the separate financial statements of subsidiaries into the Group reporting currency, i.e. currency translation risks, are not included.

Value-at-Risk >> TABLE 104

in € million	2013	2012
Currency risk	18.6	30.3

The value at risk in respect of currency risk as at 31 December 2013 was €18.6 million (31 December 2012: €30.3 million). 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 (2012: 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 a rise or fall 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.

>> TABLE 105

The Group funds itself by, among other things, drawing down loans under its agreed loan facilities. Until the third quarter, interest-rate derivatives – mainly interest-rate swaps – were used to hedge the resultant interest-rate risk. The corresponding interest-rate hedging instruments were terminated upon repayment of the floating-rate liabilities under the SFA, which means that there were no material interest-rate hedging instruments as at 31 December 2013.

>> TABLE 106

Interest-rate sensitivity >> TABLE 105

	+100 bps	–100 bps	+100 bps	–100 bps
in € million	2013	2013	2012	2012
Other comprehensive income (loss)	–	–	16.0	–1.6
Net income (loss)	–9.7	9.7	–8.5	8.5

Interest-rate swaps >> TABLE 106

		Fair value		Notional amount	
in € million		2013	2012	2013	2012
Interest-rate swaps (assets)	Hedge	–	–	–	–
	Trading	–	–	–	–
Interest-rate swaps (liabilities)	Hedge	0.4	18.6	13.0	1,670.0
	Trading	–	–	–	–

[37] HEDGE ACCOUNTING

Hedging currency risk

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

The 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 forwards is recognised in accumulated other comprehensive income (loss) and only reversed when the corresponding hedged item is recognised in income.

On account 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 despatched 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 2013 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 2013.

In total, foreign-currency cash flows of €162.1 million (2012: €114.3 million) were hedged and designated as hedged items, of which €147.6 million is expected by 30 September 2014 (2012: €99.7 million by 30 September 2013). The remaining cash flows designated as hedged items fall due in the period up to 24 February 2015.

Hedging of interest-rate risk

The KION Group used hedge accounting in connection with the hedging of interest-rate risk in 2013.

The KION Group funded itself by, among other things, drawing down loans with variable interest rates in various currencies. Interest-rate derivatives denominated in various currencies were used to hedge the resultant interest-rate risk in 2013. These interest-rate derivatives were terminated in July 2013 when most of the floating-rate loans were repaid. Upon early termination of the interest-rate derivatives, the amounts totalling €14.4 million that were recognised in OCI as part of hedge accounting were derecognised and taken to income. Because the KION Group had used interest-rate swaps to transform 48 per cent of its variable-rate exposure into fixed-rate obligations in the previous year, it did not fully benefit from the low level of market interest rates. The individual hedges were designated at the time the swaps were transacted. The KION Group no longer had any material interest-rate derivatives as at 31 December 2013.

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 2012, there were no material ineffective portions.

In total, variable portions of future interest payments amounting to €6.3 million had been designated as hedged items in 2012. No material hedged items had been designated to hedge interest-rate risk as at 31 December 2013.

[38] SEGMENT REPORT

The Executive Board divides the KION Group into financial services (FS) activities and 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.

Description of the segments

The Linde Material Handling (LMH) segment encompasses the Linde, Fenwick and Baoli brands. The 30 per cent stake held in Linde Hydraulics is allocated to the LMH segment and accounted for using the equity method.

The STILL segment comprises the STILL and OM STILL brands.

FS activities include the financing of long-term leasing business with external customers of the KION Group and short-term rental business of the LMH and STILL operating segments as well as 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. Besides management of residual-value risk, risk management also includes the management of credit risk. In addition, FS provides the financing for short-term rental fleets on behalf of the LMH and STILL brand segments, which operate and maintain such fleets as part of their operational business.

The Other segment comprises the company 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 the Indian volume market. The service companies provide services for all segments in the KION Group. The bulk of the revenue in this segment is generated by internal IT and logistics services.

Segment management

The KPIs used to manage the brand segments are order intake, revenue and adjusted EBIT. Segment reporting therefore includes a reconciliation of externally reported consolidated earnings before interest and tax (EBIT) – including KION acquisition items and non-recurring items – to the adjusted EBIT for the segments ('adjusted EBIT'). To improve comparability and control, the non-recurring items for the Linde Material Handling segment in 2012 also include the elimination of the EBIT items for the hydraulics business, which was sold at the end of 2012.

Earnings before tax (EBT) and return on equity (ROE) are the KPIs used to manage the Financial Services segment. ROE is calculated on the basis of average equity employed excluding net income (loss) for the current period. As at 31 December 2013, ROE – earnings before tax as a percentage of average equity – remained unchanged on the prior year at 13.0 per cent.

Intra-group transactions are generally 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 margin are reflected in the producer margin within the operating profit generated by the LMH and STILL brand segments.

Segment reports are 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, irrespective of which entity might retain any opportunities and risks.

Assets and liabilities associated with the long-term leasing business, including related income and expenses, are assigned to the FS segment.

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 rental business is on the service function. External customers are offered 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 brand segments' statements of financial position and the related income and expenses remain on the brand segments' income statements.

In an indirect leasing arrangement, 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 following tables show information on the KION Group's operating segments for 2013 and 2012: >> TABLES 107–108

Segment report 2013

>> TABLE 107

in € million	LMH	STILL	Financial Services	Other	Consolidation/ Reconciliation	Total
Revenue from external customers	2,629.8	1,501.8	314.7	48.2	–	4,494.6
Intersegment revenue	251.2	215.7	224.7	186.9	–878.5	0.0
Total revenue	2,881.1	1,717.5	539.4	235.1	–878.5	4,494.6
Earnings before taxes	**270.3**	**75.0**	**4.7**	**–102.6**	**–93.1**	**154.3**
Financial income	9.2	1.7	52.4	27.7	–42.6	48.5
Financial expenses	–21.3	–36.6	–48.4	–202.1	40.1	–268.4
= Net financial expenses	–12.0	–34.9	4.0	–174.4	–2.5	–219.8
EBIT	**282.4**	**109.9**	**0.7**	**71.8**	**–90.6**	**374.2**
+ Non-recurring items	2.9	8.3	0.0	1.7	–	12.8
+ KION acquisition items	23.8	5.7	0.0	0.0	–	29.5
= Adjusted EBIT	**309.1**	**123.9**	**0.7**	**73.5**	**–90.6**	**416.5**
Segment assets	4,669.4	2,086.9	1,249.4	902.9	–2,882.1	6,026.4
Segment liabilities	1,553.3	1,198.5	1,207.7	3,332.0	–2,875.0	4,416.5
Carrying amount of at-equity investments	118.3	4.6	15.8	0.0	–	138.6
Equity result	–2.5	0.7	3.5	0.0	–	–1.7
Capital expenditure [1]	67.6	42.2	0.0	16.0	–	125.8
Depreciation [2]	86.0	38.8	0.0	16.8	–	141.4
Order intake	2,901.8	1,692.0	539.4	235.1	–879.1	4,489.1
Number of employees [3]	13,776	7,704	118	675	–	22,273

1 Capital expenditure including capitalised R&D costs, excluding leased and rental assets
2 On intangible assets and property, plant and equipment excl. leased and rental assets
3 Number of employees in full-time equivalents as at 31 December

Segment report 2012

>> *TABLE 108*

in € million	LMH	STILL	Financial Services	Other	Consolidation / Reconciliation	Total
Revenue from external customers	2,903.2	1,483.8	296.8	42.9	–	4,726.7
Intersegment revenue	229.1	192.8	212.6	208.0	–842.4	0.0
Total revenue	3,132.2	1,676.6	509.3	250.9	–842.4	4,726.7
Earnings before taxes	**506.2**	**69.6**	**4.8**	**–205.7**	**–63.9**	**310.9**
Financial income	9.7	3.0	44.7	21.7	–38.6	40.5
Financial expenses	–26.4	–31.1	–41.3	–215.2	35.3	–278.7
= Net financial expenses	–16.7	–28.1	3.4	–193.5	–3.3	–238.2
EBIT	**522.9**	**97.7**	**1.4**	**–12.2**	**–60.6**	**549.1**
+ Non-recurring items	–254.9	17.1	0.0	55.5	–	–182.2
+ KION acquisition items	33.0	7.4	0.0	1.1	–	41.5
= Adjusted EBIT	**301.0**	**122.2**	**1.4**	**44.4**	**–60.6**	**408.3**
Segment assets	4,514.0	2,068.0	1,039.0	902.3	–2,310.2	6,213.2
Segment liabilities	1,461.7	1,190.8	997.3	4,206.0	–2,303.3	5,552.5
Carrying amount of at-equity investments	135.5	6.1	13.2	0.0	–	154.8
Equity result	13.5	1.2	1.2	0.0	–	15.9
Capital expenditure [1]	89.1	51.1	0.1	14.8	–	155.1
Depreciation [2]	102.5	42.7	0.0	17.7	–	162.9
Order intake	3,135.8	1,648.6	509.3	250.9	–844.7	4,700.1
Number of employees [3]	13,148	7,253	112	702	–	21,215

1 Capital expenditure including capitalised R&D costs, excluding leased and rental assets
2 On intangible assets and property, plant and equipment excl. leased and rental assets
3 Number of employees in full-time equivalents as at 31 December

The table below gives a breakdown of the revenue from external customers by location. >> TABLE 109

Segment revenue broken down by customer location >> TABLE 109

in € million	2013	2012
Western Europe	3,223.9	3,363.3
Eastern Europe	369.7	362.8
Americas	279.4	324.2
Asia	453.5	485.6
Rest of world	168.1	190.7
Total segment revenue	**4,494.6**	**4,726.7**

Revenue in Germany came to €1,115 million in 2013 (2012: €1,225 million). 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 comprised consultancy costs, as well as costs incurred in connection with severance payments, social plan costs and costs relating to the relocation of production and closure of production sites. They totalled €12.8 million in 2013 (2012: €70.9 million).

In 2013, these items also included further income and expenses connected with the sale of our controlling interest (70 per cent) in Linde Hydraulics GmbH & Co. KG, Aschaffenburg in December 2012, and components of the share of profit (loss) of the remaining 30 per cent of the equity-accounted shares, which amounted to net income of €0.1 million. For reasons of comparability and control, the hydraulic business's current income of €28.8 million for 2012 was also eliminated as a non-recurring item from EBIT in last year's segment reporting.

The KION acquisition items relate to the acquisition of the KION Group, which was formed at the end of 2006 when it was spun off from Linde AG, Munich. These items comprise net write-downs on the hidden reserves identified as part of the purchase price allocation.

The assets attributable to the Financial Services segment include long-term leases, which were reported as either leased assets or lease receivables, depending on the type of lease. As at the reporting date, lease receivables due from unrelated third parties amounted to €458.1 million (31 December 2012: €379.9 million). There were also intra-group lease receivables of €449.1 million (31 December 2012: €373.4 million), which primarily resulted from the funding of the short-term rental business of LMH and STILL.

The liabilities attributable to the Financial Services segment largely comprised liabilities to leasing companies of €935.2 million (31 December 2012: €730.3 million) relating to sale and leaseback transactions that resulted from the funding of long-term leases with external third parties and intra-group customers. In the reporting year, €615.5 million (2012: €470.2 million) of this amount was attributable to the funding of leases with external customers and €319.7 million (2012: €260.2 million) related to the funding of intra-group leases with the LMH and STILL brand companies as lessees, who had in turn entered into leases with external third parties. Moreover, they include net financial debt of €163.6 million (2012: €174.9 million) arising from general corporate finance for the FS segment.

Capital expenditure by the Financial Services segment includes additions to intangible assets and property, plant and equipment. Leased assets are described in note [18]. >> TABLE 110

Capital expenditure in Germany came to €82.2 million in 2013 (2012: €105.0 million).

Capital expenditure broken down by company location (excl. leased and rental assets) >> TABLE 110

in € million	2013	2012
Western Europe	105.0	132.9
Eastern Europe	3.7	3.3
Americas	2.2	8.4
Asia	13.9	9.9
Rest of world	0.9	0.6
Total capital expenditure	**125.8**	**155.1**

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

The regional breakdown of non-current assets excluding financial assets, financial instruments, deferred tax assets and post-employment benefits is as follows: >> TABLE 111

Non-current assets attributable to Germany amounted to €2,676.6 million in 2013 (2012: €2,552.6 million).

Non-current assets broken down by company location >> TABLE 111

in € million	2013	2012
Western Europe	3,316.2	3,174.8
Eastern Europe	109.6	101.2
Americas	42.6	46.2
Asia	130.4	122.2
Rest of world	42.4	49.5
Total non-current assets (IFRS 8)	**3,641.2**	**3,494.0**

[39] EMPLOYEES

The KION Group employed an average of 21,632 people in the reporting year (2012: 22,232). The number of employees (including part-time employees expressed in terms of full-time equivalents) is broken down by region as follows: >> TABLE 112

Employees (average) >> TABLE 112

	2013	2012
Germany	7,625	8,497
France	3,160	3,245
UK	1,881	1,807
Italy	786	884
Rest of Europe	3,565	3,443
Asia	3,438	3,243
Rest of world	1,177	1,113
Total employees	**21,632**	**22,232**

The acquisition of Willenbrock and STILL Arser led to an increase of 542 and 122 employees respectively.

[40] 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. Related parties that are controlled by the KION Group, through which a significant influence can be exerted over the KION Group, or which are members of the Superlift group are either included in the list of shareholdings as at 31 December 2013 (see note [45]) or in the table below: >> *TABLE 113*

Related parties >> *TABLE 113*

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
Weichai Power Co. Ltd., Weifang, China	Entity with significant influence

The members of the Executive Board and Supervisory Board of KION GROUP AG are also related parties.

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 The Goldman Sachs Group, Inc. extended the SFA to include an additional loan of €100.0 million to be paid via Superlift Funding S.à r.l., Luxembourg. The loan provided by Superlift Holding to Superlift Funding (including accrued interest) and the investment in Superlift Funding, together amounting to €118.1 million, were converted into equity with effect from 11 June 2013.

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 & Co. were to provide advisory services for the KION Group. These advisory services related, in particular, to financial and strategic issues. The advisory agreement expired when KION GROUP AG was floated on the stock market. A total of €2.4 million in advisory fees was recognised as an expense in respect of this agreement in 2013 (2012: €4.8 million). KION GROUP AG, KKR and Goldman, Sachs & Co. concluded a new global advisory agreement on 7 June 2013, which stipulates a fixed annual fee of €125,000. Under the agreement, KKR and Goldman, Sachs & Co. will continue to provide limited advisory services for the KION Group after its IPO in the event that the KION Group decides it wishes to draw on this expertise. A total of €0.1 million in advisory fees was recognised as an expense in respect of the new agreement in 2013.

In connection with the issuance of a corporate bond, a banking fee totalling €1.9 million was paid to KKR and Goldman, Sachs & Co. as syndicate members. This fee has been allocated pro rata as transaction costs to each of the tranches and expensed over their respective terms.

As part of the stock market flotation, KKR and Goldman, Sachs & Co. were promised a contractual banking fee totalling €5.1 million, which was reported in other comprehensive income (loss) as transaction costs relating to the capital increase.

In August 2013, the KION Group began preparations for an employee share programme to enable staff members, initially those in Germany, to derive greater benefit from the success of the Company. An agreement for handling the share repurchase between 28 August and 26 September 2013 was signed with Goldman Sachs International, in which Goldman Sachs International was authorised to run the buy-back programme on behalf of KION GROUP AG. In 2013, a total of €0.1 million was recognised as an expense.

Weichai Power

Since exercising its option, which did not come into effect until 15 January 2014, Weichai Power Co. Ltd., Weifang, China (referred to below as Weichai Power) has held a 33.3 per cent stake in KION GROUP AG. Weichai Power also holds a controlling interest (70.0 per cent) in Linde Hydraulics GmbH & Co. KG, Aschaffenburg (referred to below as Linde Hydraulics). The remaining shares (30.0 per cent) in Linde Hydraulics are held by the KION Group. During 2013, the KION Group earned revenue of €17.0 million from selling goods and services to Linde Hydraulics and its subsidiaries. Over the same period, companies in the KION Group obtained goods and services from Linde Hydraulics and its subsidiaries amounting to €114.1 million. The receivables arising from the sale of goods and services stood at €6.0 million as at 31 December 2013 (31 December 2012: €1.0 million). No valuation allowances for trade receivables had been recognised as at the reporting date, a situation that was unchanged on 31 December 2012. As at 31 December 2013, liabilities to Linde Hydraulics and its subsidiaries resulting from the purchase of goods and services came to €2.7 million (31 December 2012: €0.0 million).

In parallel with its global advisory agreement with KKR and Goldman, Sachs & Co., KION GROUP AG also concluded a global advisory agreement with Weichai Power on 7 June 2013. Under the agreement, Weichai Power will provide advisory services related to the Asia-Pacific region for the KION Group after its IPO in the event that the KION Group decides it wishes to draw on this expertise. A fixed annual fee of €125,000 was agreed for these services. A total of €0.1 million in advisory fees was recognised as an expense in respect of the new agreement in 2013.

Weichai Power (Luxembourg) Holding S.à r.l. acquired shares by way of a capital increase. This capital increase caused the share capital to rise by €13.7 million and the capital reserves by €314.7 million.

The table below shows the receivables due from related parties as at the reporting date. >> TABLE 114

Receivables from related parties >> TABLE 114

in € million	2013	2012
Non-consolidated subsidiaries	10.0	7.4
Associates	10.9	13.3
Joint ventures	0.2	2.6
Other related parties	5.5	3.4
Total receivables from related parties	**26.6**	**26.8**

The table below shows the liabilities owed to related parties as at the reporting date. >> TABLE 115

Liabilities to related parties >> TABLE 115

in € million	2013	2012
Non-consolidated subsidiaries	6.1	6.0
Associates	67.2	35.9
Joint ventures	2.1	4.9
Other related parties	1.1	132.5
Total liabilities to related parties	**76.4**	**179.3**

Since the conversion of an existing loan and the investment in Superlift Funding by Superlift Holding, the loan (plus accrued interest) provided by Linde Material Handling GmbH to Superlift Funding has no longer been reported under liabilities owed to related parties.

[41] KION MANAGEMENT PARTNERSHIP PLAN (MPP)

In 2007, the former sole shareholder, Superlift Holding S.à r.l., gave managers in the KION Group the opportunity to invest in what is now KION GROUP AG through KION Management Beteiligungs GmbH & Co. KG by way of a co-invest agreement. This scheme is known as the KION management partnership plan (MPP). More managers joined the MPP in 2007, 2008, 2010 and 2011. At the time of the IPO, the KION Group's Executive Board plus around 300 executives around the world had invested in KION GROUP AG through KION Management Beteiligungs GmbH & Co. KG.

KION Management Beteiligungs GmbH & Co. KG held an equity interest of 3.7 per cent in KION GROUP AG at the time of the IPO. After the IPO, individual managers used the option open to them as a result of the IPO to withdraw the shares attributable to them from KION Management Beteiligungs GmbH & Co. KG or to sell the shares through KION Management Beteiligungs GmbH & Co. KG. As a result, the equity interest of KION Management Beteiligungs GmbH & Co. KG fell to below 3 per cent. Only the shares held by members of the KION Executive Board and some members of the Management Boards of Linde Material Handling GmbH and STILL GmbH remain subject to a lock-up period of one year following the IPO. Of those shares, 881,471 are held by Executive Board members, equating to an equity interest in KION GROUP AG of 0.89 per cent. The Executive Board's equity interest has remained unchanged since the IPO.

The shares in what is now KION GROUP AG were purchased by managers in the KION Group through KION Management Beteiligungs GmbH & Co. KG at 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 deferred payment of the purchase price of the 'B' and 'C' shares, subject to an interest charge. In 2010, the performance-related vesting conditions for the 'C' shares relating to the 2009-2012 plan years were adjusted to take account of the revised long-term KION business plan. The change in vesting conditions affected a total of 1,034 'C' shares with an expected exercise price of €16 thousand each. The total fair value of the adjustment of the performance-related vesting conditions for the 'C' shares was €1,044 thousand. The 1,034 purchase options outstanding as at 1 January 2013 were all exercised in 2013. The fair value attributable to the adjustment at the exercise date in 2013 differed only insignificantly from the corresponding pro-rata exercise price. No expenses were recognised in respect of the MPP in 2013 (2012: €0.16 million).

[42] KION PERFORMANCE SHARE PLAN (PSP)

In May 2013, the Company entered into new service contracts with Executive Board members which were contingent on the Company's IPO going ahead. Consequently, they did not come into force until the day after the initial listing on the Frankfurt Stock Exchange on 28 June 2013. The provisions of these new service contracts specify that long-term variable remuneration (the KION GROUP AG performance share plan) is to be introduced so that the remuneration structure is based on the sustainable performance of the Company.

As part of the KION GROUP AG performance share plan, the Executive Board members are allocated virtual shares over a fixed period (two-and-a-half years for the 2013 tranche and three years for all subsequent tranches). The remuneration component measured over the long term is based in equal parts on the total shareholder return (TSR) of KION GROUP AG shares compared with the STOXX® Europe TMI Industrial Engineering index as a measure of market performance, and with return on capital employed (ROCE) as an internal measure. It also depends on the performance of KION GROUP AG shares during the relevant period.

The first performance period for the 2013 tranche ends on 31 December 2015. At the beginning of the performance period, the Executive Board members were granted a total of 0.3 million virtual shares for this tranche with a specific fair value based on an allocation value in euros specified in each Executive Board member's service contract. At the end of the performance period, the number of the virtual shares is amended depending on the degree to which the relevant targets are achieved. The resulting final number of virtual shares multiplied by the smoothed price of KION GROUP AG shares at the end of the performance period determines the amount of cash actually paid. The Supervisory Board can also use a discretionary personal performance factor to adjust the final payment at the end of the performance period by +/– 20 per cent. The maximum amount payable is limited to 200 per cent of the value of the shares allotted to an individual at the grant date.

The pro-rata expense calculation based on the fair value of the virtual shares on each valuation date is carried out using Monte-Carlo simulation. The following valuation parameters were used to value the virtual shares on the reporting date: >> TABLE 116

Significant measurement parameters for the KION GROUP AG Performance Share Plan *>> TABLE 116*

Measurement parameters	Valuation date
	31/12/2013
Expected volatility of the KION share	30.0 %
Expected volatility of the STOXX® Europe TMI Industrial Engineering Index	20.0 %
Risk-free interest rate	0.2 %
Expected dividend yield	€0.88
Price of the KION share	€30.73
Initial value of the KION share (60 days average)	€26.64
Initial value of the STOXX® Europe TMI Industrial Engineering Index (60 days average)	€204.26
Expected pay-out for internal target ROCE	100.0 %

The historic volatility of shares in similar companies (peer group) was used to determine the volatility of KION shares on which the valuation is based. As at 31 December 2013, the fair value of one virtual share was €23.74 and the total fair value based on 0.3 million virtual shares was €6.2 million on that date. Because the performance period for the 2013 tranche has been set at 30 months, a liability of €1.2 million was recognised as a pro-rata expense for six months in 2013.

[43] REMUNERATION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

Executive Board

Gordon Riske, Chief Executive Officer (CEO), is responsible, among other things, for the strategic management of the Group, communications, governance and compliance. On 11 January 2013, he also took over responsibility for internal audit, KION Warehouse Systems and the North and South America regions.

Klaus Hofer stepped down from the Executive Board of the KION Group on 10 January 2013. As Chief Human Resources Officer (CHRO), he had been responsible for human resources, legal affairs, health & safety and internal audit. He was also the KION Labour Relations Director.

Bert-Jan Knoef is CEO and Labour Relations Director of the brand company STILL GmbH and, since 11 January 2013, has also overseen all cross-brand logistics activities and managed the intra-group logistics service provider, Urban.

Theodor Maurer is CEO and Labour Relations Director of the brand company Linde Material Handling GmbH and, since 11 January 2013, has also held cross-brand responsibility for quality, facility management, health, safety and the environment.

Ching Pong Quek was appointed Chief Asia Pacific Officer with effect from 11 January 2013 and heads up the KION Group's entire Asia business.

Dr Thomas Toepfer, Chief Financial Officer (CFO), is responsible, among other things, for finance (including financial services) and IT activities. On 11 January 2013, he also took over responsibility for purchasing, human resources, legal affairs and data protection. He is also the KION Labour Relations Director.

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. In addition, there are performance-based components in the form of the KION performance share plan for all Executive Board members and a bonus for Dr Thomas Toepfer. The pension entitlements consist of retirement, invalidity and surviving dependants' benefits.

The total remuneration paid to the members of the Executive Board in 2013 amounted to €7.4 million (2012: €12.0 million). This consisted of short-term remuneration amounting to €4.9 million (2012: €5.6 million), post-employment benefits totalling €0.6 million (2012: €0.4 million), termination benefits of €0.0 million (2012: €6.0 million) and share-based payments of €1.9 million (2012: €0.0 million). The short-term remuneration comprised non-performance-related components amounting to €2.8 million (2012: €1.9 million) and performance-related components amounting to €2.2 million (2012: €3.6 million). The current service cost resulting from pension provisions for the Executive Board is reported under post-employment benefits. The long-term incentive components take the form of a performance share plan (see note [42]). In addition, one Executive Board member was promised a special bonus, to be paid in two tranches, that would be granted in the event of a successful IPO; this bonus also counts as a long-term incentive. The pro-rata expense for share-based payments totalled €1.9 million (2012: €0.0 million).

Under section 314 HGB, disclosure of the expense for share-based payments is not required. Rather, they must be included in the Executive Board members' remuneration for the year in which they are granted on the basis of the fair value at the individual grant dates. The fair value of the share-based payments at their individual grant dates amounted to €6.2 million (2012: €0.0 million). Furthermore, post-employment benefits must not be disclosed. On this basis, the total remuneration paid to the members of the Executive Board pursuant to section 314 HGB came to €11.1 million (2012: €5.6 million).

No loans or advances were made to members of the Executive Board in 2013 (2012: loans and advances totalling €0 million). The present value of the defined benefit obligation in respect of Executive Board members as at 31 December 2013 was €5.9 million (31 December 2012: €2.3 million).

The total remuneration paid to former members of the Executive Board in 2013 amounted to €0.2 million (2012: €0.2 million). Defined benefit obligations to former members of the Executive Board or their surviving dependants amounting to €5.2 million (2012: €3.6 million) were recognised in accordance with IAS 19.

Further details of Executive Board remuneration, including the individual amounts for each member, can be found in the remuneration report on pages 57 to 65 of this annual report.

Supervisory Board

The total remuneration paid to the members of the Supervisory Board for the performance of their tasks at the parent company and subsidiaries in 2013 amounted to €1.2 million including VAT (2012: €1.0 million). There were no loans or advances to members of the Supervisory Board in 2013. 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.

Members of the Supervisory Board also received short-term employee benefits of €0.6 million for employee services (2012: €0.5 million).

[44] MEMBERS OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

Executive Board

Gordon Riske
Chief Executive Officer (CEO)

Chief Executive Officer of KION Material Handling GmbH, Wiesbaden
Member of the Executive Board of KION Holding 2 GmbH, Wiesbaden
Member of the Asia Pacific Committee of KION Material Handling GmbH, Wiesbaden
Chairman of the Supervisory Board of Linde Material Handling GmbH, Aschaffenburg
Chairman of the Board of Directors of Linde (China) Forklift Truck Co., Ltd., Xiamen, People's Republic of China
Chairman of the Supervisory Board of STILL GmbH, Hamburg
Member of the Executive Board of the non-profit Hertie Foundation, Frankfurt am Main
Non-Executive Director of Weichai Power Co., Ltd., Weifang, People's Republic of China

Bert-Jan Knoef
Member of the Executive Board / CEO of STILL (since 11 January 2013)

Member of the Executive Board of KION Material Handling GmbH, Wiesbaden
Chief Executive Officer (CEO) and Labour Relations Director of STILL GmbH, Hamburg
Presidente of the Consiglio di Amministrazione of OM Carrelli Elevatori S.p.A., Lainate, Italy
Presidente of the Consiglio di Amministrazione of STILL ITALIA S.p.A., Lainate, Italy
Member of the Advisory Board of STILL GmbH i. L., Ljubljana, Slovenia
Member of the Advisory Board of STILL Gesellschaft m.b.H., Wr. Neudorf, Austria (until 17 January 2013)
Member of the Advisory Board of STILL KFT, Környe, Hungary (until 30 January 2013)
Member of the Supervisory Board of STILL INTERN TRANSPORT B.V., Hendrik-Ido-Ambacht, Netherlands (until 30 January 2013)
Member of the Advisory Board of STILL POLSKA, Gądki, Poland (until 30 January 2013)
Member of the Advisory Board of Supralift Beteiligungs- und Kommunikationsgesellschaft mbH, Hofheim am Taunus (until 31 December 2013)
Member of the Advisory Board of Supralift GmbH & Co. KG, Hofheim am Taunus (until 31 December 2013)
Member of the Advisory Board of STILL Belgien N.V., Wijnegem (Antwerp), Belgium (until 17 January 2013)
Member of the Supervisory Board of STILL Danmark A/S, Kolding, Denmark (until 17 January 2013)
Member of the Board of Directors of STILL Materials Handling Ltd., Preston, United Kingdom (until 30 January 2013)
Member of the Advisory Board of OOO 'STILL Forklifttrucks', Moscow, Russia (until 1 February 2013)

Theodor Maurer
Member of the Executive Board / CEO of LMH
(since 11 January 2013)

Member of the Executive Board of KION Material Handling GmbH, Wiesbaden
Chief Executive Officer (CEO) and Labour Relations Director of Linde Material Handling GmbH, Aschaffenburg
Chairman of the Board of Directors of Linde Material Handling (UK) Ltd., Basingstoke, United Kingdom
Chairman of the Board of Directors of Linde Heavy Truck Division Ltd., Merthyr Tydfil, United Kingdom
Member of the Board of Directors of LMH North America Corp., Summerville, USA
Member of the Board of Directors of Linde (China) Forklift Truck Co. Ltd., Xiamen, People's Republic of China
Member of the Supervisory Board of Linde Hydraulics Verwaltungs GmbH, Aschaffenburg
Member of the Comité Consultatif of Fenwick-Linde S.à.r.l., Élancourt, France
Member of the Supervisory Board of Schöler Fördertechnik AG, Rheinfelden

Ching Pong Quek
Member of the Executive Board / Chief Asia Pacific Officer
(since 11 January 2013)

Member of the Executive Board / Chief Asia Pacific Officer of KION Material Handling GmbH, Wiesbaden
Member of the Asia Pacific Committee of KION Material Handling GmbH, Wiesbaden
Chief Executive Officer of Linde (China) Forklift Truck Corp., Ltd., Xiamen, People's Republic of China
Member of the Board of KION South Asia Pte Ltd., Singapore, Singapore
President and CEO of KION Asia Ltd., Hong Kong, People's Republic of China
Chairman of KION Baoli Forklift Co., Ltd., Jiangsu, People's Republic of China
Member of the Board of Directors of Voltas Material Handling Pvte. Ltd., Pune, India
Member of the Board of Directors of Linde Material Handling Asia Pacific Pte., Ltd., Singapore, Singapore
Chairman of the Board of Directors of Linde Material Handling Hong Kong Ltd., Hong Kong, People's Republic of China

Dr Thomas Toepfer
Member of the Executive Board / CFO

Member of the Executive Board of KION Material Handling GmbH, Wiesbaden
Member of the Executive Board of KION Holding 2 GmbH, Wiesbaden
Member of the Asia Pacific Committee of KION Material Handling GmbH, Wiesbaden
Member of the Supervisory Board of STILL GmbH, Hamburg
Member of the Supervisory Board of Linde Material Handling GmbH, Aschaffenburg
Member of the Executive Board of MPP Verwaltungs GmbH, Wiesbaden
Member of the Executive Board of MPP Beteiligungs GmbH, Wiesbaden
Administrador Solidario of Islavista Spain S.A., Barcelona, Spain
Chairman of the Board of Directors of LMH North America Corp., Summerville, USA
Member of the Board of Directors of Superlift UK Ltd., Basingstoke, United Kingdom

Klaus Hofer
(until 10 January 2013)

Member of the Executive Board / CHRO
Member of the Supervisory Board of Linde Material Handling GmbH, Aschaffenburg (until 10 January 2013)

Supervisory Board

Dr John Feldmann
Chairman of the Supervisory Board

Chief Executive Officer of the non-profit
Hertie Foundation, Frankfurt am Main (until 31 March 2014)
Chairman of the Supervisory Board of KION Material
Handling GmbH, Wiesbaden
Member of the Supervisory Board of Bilfinger SE, Mannheim
Member of the Supervisory Board of Hornbach Baumarkt AG,
Bornheim
Member of the Supervisory Board of Hornbach Holding AG,
Bornheim

Joachim Hartig[1]
Deputy Chairman of the Supervisory Board

Chairman of the European Works Council of
KION GROUP AG, Wiesbaden
Deputy Chairman of the Supervisory Board of
KION Material Handling GmbH, Wiesbaden
Deputy Chairman of the Supervisory Board of
Linde Material Handling GmbH, Aschaffenburg

Holger Brandt[2]
Head of Sales Germany at STILL GmbH, Hamburg
Member of the Supervisory Board of KION Material
Handling GmbH, Wiesbaden
Member of the Supervisory Board of STILL GmbH, Hamburg

Dr Alexander Dibelius
Chairman of the Executive Board of Goldman Sachs AG,
Frankfurt am Main
Member of the Supervisory Board of KION Material
Handling GmbH, Wiesbaden
Member of the European Management Committee of
Goldman Sachs International, London, United Kingdom
Member of the Board of Directors of OOO Goldman Sachs,
Moscow, Russia
Member of the Board of Directors of OOO Goldman Sachs Bank,
Moscow, Russia
Member of the Shareholder Committee of Xella
International S.à r.l., Luxembourg
Chairman of the Supervisory Board of Wincor Nixdorf AG,
Paderborn
Member of the Supervisory Board of Wincor Nixdorf International
GmbH, Paderborn

Denis Heljic[1]
(since 12 June 2013)
Field technician at STILL GmbH,
Dortmund, and Deputy Chairman of the Works Council
of STILL GmbH, Dortmund plant
Member of the Supervisory Board of KION Material Handling GmbH,
Wiesbaden

Dr Martin Hintze
Managing Director of Merchant Banking at
Goldman Sachs International, London, United Kingdom
Member of the Supervisory Board of KION Material
Handling GmbH, Wiesbaden
Member of the Executive Board of Xella International
Holdings S.à r.l., Luxembourg
Member of the Executive Board of Xella HoldCo
Finance S.A., Luxembourg
Member of the Executive Board of Xella Topco S.à r.l.,
Luxembourg
Member of the Executive Board of Xenia S.à r.l.,
Luxembourg
Member of the Supervisory Board of LEG Immobilien AG,
Düsseldorf

Johannes P. Huth
Partner at and member of the Executive Committee of Kohlberg
Kravis Roberts & Co. Partners LLP, London, United Kingdom
Member of the Supervisory Board of KION Material
Handling GmbH, Wiesbaden
Deputy Chairman of the Supervisory Board of NXP BV,
Eindhoven, Netherlands
Chairman of the Supervisory Board of ProSiebenSat. 1
Media AG, Unterföhring
Chairman of the Supervisory Board of WMF AG,
Geislingen an der Steige

Jiang Kui
President and Director of Shandong Heavy Industry Group Co., Ltd., Jinan, People's Republic of China
Member of the Supervisory Board of KION Material Handling GmbH, Wiesbaden
Director of Shantui Construction Machinery Co., Ltd., Jining, People's Republic of China
Chairman of the Board of Strong Construction Machinery Co., Ltd., Linyi, People's Republic of China
Deputy Chairman of the Board of Weichai Holding Group Co., Ltd., Weifang, People's Republic of China
Director of Weichai Power Co., Ltd., Weifang, People's Republic of China
Director of Shandong Heavy Industry India Private Ltd., Pune, India
Director of Weichai Power Hong Kong International Development Co., Ltd., Hong Kong, People's Republic of China
Member of the Executive Board of Hydraulics Drive Technology Beteiligungs GmbH, Aschaffenburg
Chairman of the Supervisory Board of Linde Hydraulics Verwaltungs GmbH, Aschaffenburg

Thilo Kämmerer[1]
Trade Union Secretary, IG Metall, Bamberg Administrative Office
Member of the Supervisory Board of KION Material Handling GmbH, Wiesbaden

Dr Roland Köstler[1]
(until 30 September 2013)
Head of Business Law at Hans-Böckler-Stiftung, Düsseldorf (until 31 July 2013)
Member of the Supervisory Board of KION Material Handling GmbH, Wiesbaden (until 30 September 2013)

Özcan Pancarci[1]
(since 12 June 2013)
Chairman of the Plants I & II Works Council of Linde Material Handling GmbH, Aschaffenburg
Member of the Supervisory Board of KION Material Handling GmbH, Wiesbaden
Member of the Supervisory Board of Linde Material Handling GmbH, Aschaffenburg

Kay Pietsch[1]
Chairman of the Group Works Council of the KION Group and Chairman of the Works Council of STILL GmbH, Hamburg
Member of the Supervisory Board of KION Material Handling GmbH, Wiesbaden
Deputy Chairman of the Supervisory Board of STILL GmbH, Hamburg

Hans Peter Ring
(since 9 June 2013)
Management consultant, Munich
Member of the Supervisory Board of KION Material Handling GmbH, Wiesbaden
Member of the Supervisory Board of Elbe Flugzeugwerke GmbH, Dresden
Member of the Supervisory Board of MAG Europe GmbH, Göppingen
Member of the Supervisory Board of Fokker Technologies Holding B.V., Papendrecht, Netherlands

Alexandra Schädler[1]
(since 2 October 2013)
Trade Union Secretary on the National Executive of the IG Metall union, Frankfurt am Main
Member of the Supervisory Board of KION Material Handling GmbH, Wiesbaden
Member of the Supervisory Board of Fujitsu Technology Solutions GmbH, Munich

Silke Scheiber
Partner at Kohlberg Kravis Roberts & Co. Partners LLP, London, United Kingdom
Member of the Supervisory Board of KION Material Handling GmbH, Wiesbaden
Member of the Board of Directors of Jungbunzlauer Holding AG, Basel, Switzerland
Member of the Supervisory Board of WMF AG, Geislingen an der Steige
Member of the Supervisory Board of Van Gansewinkel Groep B.V., Rotterdam, Netherlands

Tan Xuguang
(since 9 June 2013)
Chief Executive Officer and Chairman of the Board of Directors of Weichai Power Co. Ltd., Weifang, People's Republic of China
Member of the Supervisory Board of KION Material Handling GmbH, Wiesbaden
Chairman of the Board of Directors of Shandong Heavy Industry Group Co., Ltd., Jinan, People's Republic of China
Chairman of the Board of Directors of Weichai Group Holding Co., Ltd., Weifang, People's Republic of China
Chairman of the Board of Directors of Weichai Heavy Machinery Co., Ltd., Weifang, People's Republic of China
Chairman of the Board of Directors of Shaanxi Heavy-duty Motor Co., Ltd., Xi'an, People's Republic of China
Chairman of the Board of Directors of Shaanxi Fast Gear Co., Ltd., Xi'an, People's Republic of China

Hans-Peter Weiß[1]
Chairman of the Plant III Works Council of Linde Material Handling GmbH, Kahl
Member of the Supervisory Board of KION Material Handling GmbH, Wiesbaden

1 Employee representatives
2 Executive representatives

[45] LIST OF THE SHAREHOLDINGS OF KION GROUP AG, WIESBADEN

The shareholdings of the KION Group as at 31 December 2013 are listed below. >> TABLE 117

List of shareholdings as of December 31, 2013 according to section 313 para. 2 No. 1–4 Commercial Code (HGB) >> TABLE 117

No.	Name	Registered office	Country	Parent company	Shareholding	Note
1	KION GROUP AG	Wiesbaden	Germany			
Consolidated subsidiaries						
Domestic						
2	BlackForxx GmbH	Stuhr	Germany	18	100.00 %	
3	Eisenwerk Weilbach GmbH	Wiesbaden	Germany	11	100.00 %	
4	Fahrzeugbau GmbH Geisa	Geisa	Germany	18	100.00 %	
5	KION Financial Services GmbH	Wiesbaden	Germany	11	100.00 %	
6	KION Holding 2 GmbH	Wiesbaden	Germany	1	100.00 %	
7	KION Information Management Services GmbH	Wiesbaden	Germany	8	100.00 %	
8	KION Material Handling GmbH	Wiesbaden	Germany	6	100.00 %	
9	KION Warehouse Systems GmbH	Reutlingen	Germany	18	100.00 %	
10	Klaus Pahlke GmbH & Co. Fördertechnik KG	Haan	Germany	11	100.00 %	
11	Linde Material Handling GmbH	Aschaffenburg	Germany	8	100.00 %	
12	LMH Immobilien GmbH & Co. KG	Aschaffenburg	Germany	11 & 13	99.64 %	
13	LMH Immobilien Holding GmbH & Co. KG	Aschaffenburg	Germany	11	94.00 %	
14	LMH Immobilien Holding Verwaltungs-GmbH	Aschaffenburg	Germany	11	100.00 %	
15	LMH Immobilien Verwaltungs-GmbH	Aschaffenburg	Germany	11	100.00 %	
16	Schrader Industriefahrzeuge GmbH & Co. KG	Essen	Germany	11	100.00 %	
17	STILL Financial Services GmbH	Hamburg	Germany	5	100.00 %	
18	STILL Gesellschaft mit beschränkter Haftung	Hamburg	Germany	11	100.00 %	
19	Urban-Transporte Gesellschaft mit beschränkter Haftung	Unterschleißheim	Germany	11	100.00 %	
20	Willenbrock Arbeitsbühnen GmbH & Co. KG	Bremen	Germany	23	74.00 %	[1]
21	Willenbrock Fördertechnik GmbH & Co. KG	Bremen	Germany	23	74.00 %	[1]
22	Willenbrock Fördertechnik GmbH & Co. KG	Hannover	Germany	23	74.00 %	[1]
23	Willenbrock Fördertechnik Holding GmbH	Bremen	Germany	11	74.00 %	[1]
Foreign						
24	Linde Material Handling Pty. Ltd.	Huntingwood	Australia	11	100.00 %	
25	STILL N.V.	Wijnegem	Belgium	18 & 69	100.00 %	
26	KION South America Fabricação de Equipamentos para Armazenagem Ltda.	São Paulo	Brazil	18	100.00 %	
27	KION Baoli (Jiangsu) Forklift Co., Ltd.	Jiangjiang	China	58	100.00 %	
28	Linde (China) Forklift Truck Corporation Ltd.	Xiamen	China	11	100.00 %	
29	STILL DANMARK A/S	Kolding	Denmark	18	100.00 %	
30	BARTHELEMY MANUTENTION SAS	Vitrolles	France	34	87.00 %	
31	Bastide Manutention SAS	Toulouse	France	34	100.00 %	
32	Bretagne Manutention S.A.	Pacé	France	34	100.00 %	
33	FENWICK FINANCIAL SERVICES SAS	Elancourt	France	35	100.00 %	
34	FENWICK-LINDE S.A.R.L.	Elancourt	France	35 & 11	100.00 %	
35	KION France SERVICES SAS	Elancourt	France	11	100.00 %	

List of shareholdings as of December 31, 2013 according to section 313 para. 2 No. 1–4 Commercial Code (HGB) *>> TABLE 117*

No.	Name	Registered office	Country	Parent company	Shareholding	Note
36	LOIRE OCEAN MANUTENTION SAS	Saint-Herblain	France	34	86.00 %	
37	Manuchar S.A.	Gond Pontouvre	France	34	100.00 %	
38	MANUSOM SAS	Rivery	France	42	100.00 %	
39	SAS Société Angoumoisine de Manutention - SAMA	Champniers	France	42	100.00 %	
40	SM Rental SAS	Roissy Charles de Gaulle	France	34	100.00 %	
41	STILL Location Services SAS	Marne la Vallée	France	35	100.00 %	
42	STILL SAS	Marne la Vallée	France	35	100.00 %	
43	KION FINANCIAL SERVICES Ltd.	Basingstoke	U.K.	57	100.00 %	
44	Linde Castle Ltd.	Basingstoke	U.K.	49	100.00 %	
45	Linde Creighton Ltd.	Basingstoke	U.K.	49	100.00 %	
46	Linde Heavy Truck Division Ltd.	Basingstoke	U.K.	49	100.00 %	
47	Linde Holdings Ltd.	Basingstoke	U.K.	57	100.00 %	
48	Linde Jewsbury's Ltd.	Basingstoke	U.K.	49	100.00 %	
49	Linde Material Handling (UK) Ltd.	Basingstoke	U.K.	47	100.00 %	
50	Linde Material Handling East Ltd.	Basingstoke	U.K.	49	100.00 %	
51	Linde Material Handling Scotland Ltd.	Basingstoke	U.K.	49	100.00 %	
52	Linde Material Handling South East Ltd.	Basingstoke	U.K.	49	100.00 %	
53	Linde Severnside Ltd.	Basingstoke	U.K.	49	100.00 %	
54	Linde Sterling Ltd.	Basingstoke	U.K.	49	100.00 %	
55	McLEMAN FORK LIFT SERVICES LTD.	Basingstoke	U.K.	45	100.00 %	
56	STILL Materials Handling Ltd.	Exeter	U.K.	57	100.00 %	
57	Superlift UK Ltd.	Basingstoke	U.K.	11	100.00 %	
58	KION ASIA (HONG KONG) Ltd.	Kwai Chung	Hong Kong	11	100.00 %	
59	Linde Material Handling Hong Kong Ltd.	Kwai Chung	Hong Kong	11	100.00 %	
60	Voltas Material Handling Pvt. Ltd.	Pune	India	83	100.00 %	
61	Linde Material Handling (Ireland) Ltd.	Walkinstown	Ireland	47	100.00 %	
62	KION Rental Services S.p.A.	Milan	Italy	63 & 64 & 66	100.00 %	
63	Linde Material Handling Italia S.p.A.	Buguggiate	Italy	11	100.00 %	
64	OM Carrelli Elevatori S.p.A.	Lainate	Italy	11 & 66	100.00 %	
65	QUALIFT S.p.A.	Verona	Italy	63	100.00 %	
66	STILL ITALIA S.p.A.	Lainate	Italy	18	100.00 %	
67	KION Finance S.A.	Luxembourg	Luxembourg	–	–	[2]
68	Superlift Funding S.à r.l.	Luxembourg	Luxembourg	1	100.00 %	[1]
69	STILL Intern Transport B.V.	Hendrik Ido Ambacht	Netherlands	18	100.00 %	
70	AUSTRO OM PIMESPO Fördertechnik GmbH	Linz	Austria	64	100.00 %	
71	Linde Fördertechnik GmbH	Linz	Austria	11 & 70	100.00 %	
72	STILL Gesellschaft m.b.H.	Wiener Neudorf	Austria	18	100.00 %	
73	Linde Material Handling Polska Sp. z o.o.	Warsaw	Poland	11	100.00 %	

List of shareholdings as of December 31, 2013 according to section 313 para. 2 No. 1–4 Commercial Code (HGB) *>> TABLE 117*

No.	Name	Registered office	Country	Parent company	Shareholding	Note
74	STILL POLSKA Spólka z o.o.	Gadki	Poland	18	100.00 %	
75	OOO 'Linde Material Handling Rus'	Moscow	Russia	11 & 3	100.00 %	
76	OOO 'STILL Forklifttrucks'	Moscow	Russia	11 & 18	100.00 %	
77	STILL MOTOSTIVUITOARE S.R.L.	Giurgiu	Romania	11 & 18	100.00 %	
78	Linde Material Handling AB	Örebro	Sweden	11	100.00 %	
79	STILL Sverige AB	Malmö	Sweden	18	100.00 %	
80	Linde Material Handling Schweiz AG (formerly: Linde Lansing Fördertechnik AG)	Dietlikon	Switzerland	11	100.00 %	
81	STILL AG	Otelfingen	Switzerland	18	100.00 %	
82	KION South Asia Pte. Ltd.	Singapore	Singapore	11	100.00 %	
83	Linde Material Handling Asia Pacific Pte. Ltd.	Singapore	Singapore	11	100.00 %	
84	Linde Material Handling Slovenska republika s.r.o.	Trencin	Slovakia	11 & 94	100.00 %	
85	STILL SR, spol. s r.o.	Nitra	Slovakia	18 & 96	100.00 %	
86	Linde Vilicar d.o.o.	Celje	Slovenia	11	100.00 %	
87	IBER-MICAR S.L.	Gava	Spain	11	100.00 %	
88	Islavista Spain S.A.U.	L'Hospitalet de Llobregat	Spain	11	100.00 %	
89	KION Rental Services S.A.U.	L'Hospitalet de Llobregat	Spain	88	100.00 %	
90	Linde Holding de Inversiones S.R.L.	Pallejá	Spain	88	100.00 %	
91	Linde Material Handling Ibérica, S.A.U.	Pallejá	Spain	90	100.00 %	
92	STILL, S.A.U.	L'Hospitalet de Llobregat	Spain	88	100.00 %	
93	Linde Material Handling (Pty) Ltd.	Linbro Park	South Africa	11	100.00 %	
94	Linde Material Handling Česká republika s r.o.	Prague	Czech Republic	11 & 18	100.00 %	
95	Linde Pohony s r.o.	Český Krumlov	Czech Republic	11	100.00 %	
96	STILL ČR spol. s r.o	Prague	Czech Republic	11 & 18	100.00 %	
97	STILL ARSER Iş Makineleri Servis ve Ticaret A.Ş.	Izmir	Turkey	18	51.00 %	[1]
98	Linde Magyarország Anyagmozgatási Kft.	Dunaharaszti	Hungary	11	100.00 %	
99	STILL Kft.	Környe	Hungary	18	100.00 %	
100	Linde Material Handling North America Corp.	Summerville	United States	11	100.00 %	

List of shareholdings as of December 31, 2013 according to section 313 para. 2 No. 1–4 Commercial Code (HGB) >> TABLE 117

No.	Name	Registered office	Country	Parent company	Shareholding	Note
Non-consolidated subsidiaries (at amortised cost)						
Domestic						
101	Klaus Pahlke Betriebsführungs-GmbH	Haan	Germany	11	100.00 %	
102	OM Deutschland GmbH	Neuhausen a. d. Fildern	Germany	64	100.00 %	[R]
103	proplan Transport- und Lagersysteme GmbH	Aschaffenburg	Germany	1	100.00 %	
104	Schrader Industriefahrzeuge Verwaltung GmbH	Essen	Germany	11	100.00 %	
105	Trainingscenter für Sicherheit und Transport GmbH	Bremen	Germany	23	74.00 %	[1]
106	Willenbrock Arbeitsbühnen Beteiligungs-GmbH	Bremen	Germany	23	74.00 %	[1]
107	Willenbrock Fördertechnik Beteiligungs-GmbH	Bremen	Germany	23	74.00 %	[1]
108	Willenbrock Fördertechnik Beteiligungs-GmbH	Hannover	Germany	23	74.00 %	[1]
Foreign						
109	Lansing Bagnall (Aust.) Pty. Ltd.	Huntingwood	Australia	49 & 11	100.00 %	
110	WHO Real Estate OÜ	Tallinn	Estonie	23	74.00 %	[1]
111	Baoli France SAS	Elancourt	France	35	100.00 %	
112	OM PIMESPO FRANCE S.A.S.	Marne la Vallée	France	64	100.00 %	[R]
113	SCI Champ Lagarde	Elancourt	France	34	100.00 %	
114	URBAN LOGISTIQUE SAS	Elancourt	France	19	100.00 %	
115	Castle Lift Trucks Ltd.	Basingstoke	U.K.	49	100.00 %	
116	Creighton Materials Handling Ltd.	Basingstoke	U.K.	49	100.00 %	[R]
117	D.B.S. Brand Factors Ltd.	Basingstoke	U.K.	54	100.00 %	[R]
118	Fork Truck Rentals Ltd.	Basingstoke	U.K.	49	100.00 %	[R]
119	Fork Truck Training Ltd.	Basingstoke	U.K.	49	100.00 %	[R]
120	Lancashire (Fork Truck) Services Ltd.	Basingstoke	U.K.	54	100.00 %	[R]
121	OM PIMESPO (UK) Ltd.	Basingstoke	U.K.	64	100.00 %	[R]
122	Stephensons Enterprise Fork Trucks Ltd.	Basingstoke	U.K.	54	100.00 %	[R]
123	Sterling Mechanical Handling Ltd.	Basingstoke	U.K.	49	100.00 %	[R]
124	Trifik Services Ltd.	Basingstoke	U.K.	49	100.00 %	[R]
125	Urban Logistics (UK) Ltd.	Basingstoke	U.K.	19	100.00 %	
126	Handling & Storage Equipment (Ireland) Ltd.	Walkinstown	Ireland	61	100.00 %	[R]
127	Carest SRL	Lainate	Italy	64	100.00 %	[R]
128	COMMERCIALE CARRELLI S.r.l.	Lainate	Italy	66 & 62	100.00 %	
129	Milano Carrelli Elevatori S.r.l.	Monza	Italy	64	100.00 %	[R]
130	URBAN LOGISTIKA S.R.L.	Lainate	Italy	19	100.00 %	
131	WHO Real Estate UAB	Vilnius	Lithuania	23	74.00 %	[1]
132	TOO ‘Linde Material Handling Kazakhstan’	Almaty	Kazakhstan	11 & 3	100.00 %	
133	Linde Material Handling (Malaysia) Sdn. Bhd.	Shah Alam	Malaysia	83	100.00 %	[1]
134	Linde Viljuskari d.o.o.	Belgrade	Serbia	71	100.00 %	

List of shareholdings as of December 31, 2013 according to section 313 para. 2 No. 1–4 Commercial Code (HGB) >> TABLE 117

No.	Name	Registered office	Country	Parent company	Shareholding	Note
135	STILL VILICAR d.o.o.	Ljubljana	Slovenia	18	100.00 %	
136	Linde Material Handling (Thailand) Co., Ltd.	Bangkok	Thailand	83	100.00 %	[1]
137	Baoli Material Handling Česká republika s r.o.	Teplice	Czech Republic	94	100.00 %	
138	Urban Transporte spol. s.r.o.	Moravany u Brna	Czech Republic	19	100.00 %	
139	TOV 'Linde Material Handling Ukraine'	Kiev	Ukraine	11 & 3	100.00 %	
Associates (at-equity investments)						
Domestic						
140	Beutlhauser-Bassewitz GmbH & Co. KG	Hagelstadt	Germany	11	25.00 %	
141	Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG	Hamburg	Germany	11	21.00 %	
142	Linde Leasing GmbH	Wiesbaden	Germany	11	45.00 %	
143	Linde Hydraulics GmbH & Co. KG	Aschaffenburg	Germany	11	30.00 %	
144	MV Fördertechnik GmbH	Blankenhain	Germany	11	25.00 %	
145	Pelzer Fördertechnik GmbH	Kerpen	Germany	11	24.96 %	
Foreign						
146	Linde High Lift Chile S.A.	Santiago de Chile	Chile	11	45.00 %	
Joint Ventures (at-equity investments)						
Foreign						
147	JULI Motorenwerk s.r.o.	Moravany	Czech Republic	11 & 18	50.00 %	
Joint Ventures (at amortised cost)						
Domestic						
148	Eisengießerei Dinklage GmbH	Dinklage	Germany	18	50.00 %	
Associates (at amortised cost)						
Domestic						
149	JETSCHKE GmbH	Hamburg	Germany	11	22.00 %	
150	Linde Hydraulics Verwaltungs GmbH	Aschaffenburg	Germany	11	30.00 %	
151	Supralift Beteiligungs- und Kommunikations-gesellschaft mbH	Hofheim am Taunus	Germany	11	50.00 %	
152	Supralift GmbH & Co. KG	Hofheim am Taunus	Germany	11	50.00 %	

List of shareholdings as of December 31, 2013 according to section 313 para. 2 No. 1–4 Commercial Code (HGB) >> TABLE 117

No.	Name	Registered office	Country	Parent company	Shareholding	Note
Foreign						
153	Labrosse Equipement S.A.	Saint-Peray	France	34	34.00 %	
154	Normandie Manutention S.A.	Le Grand Quevilly	France	34	34.00 %	
155	Chadwick Materials Handling Ltd.	Corsham	U.K.	49	48.00 %	
156	EUROPA CARRELLI S.R.L.	Bastia Umbra	Italy	66	40.00 %	
157	Nordtruck AB	Örnsköldsvik	Sweden	78	25.00 %	
158	Carretillas Elevadoras Sudeste S.A.	Murcia	Spain	91	38.53 %	
159	CAYSA MANUTENCION S.L.	Valladolid	Spain	91 & 158	46.71 %	
160	Motorové závody JULI CZ s r.o.	Moravany	Czech Republic	11	50.00 %	

Other investments (at amortised cost)

No.	Name	Registered office	Country	Parent company	Shareholding	Note
Foreign						
161	TPZ Linde Vilicari Hrvatska d.o.o.	Zagreb	Croatia	11	20.00 %	[3]

[1] New during 2013
[2] Consolidated as required by IAS 27 in conjunction with SIC-12 Consolidation – Special Purpose Entities
[3] No material influence
[R] Dormant company

[46] AUDITORS’ FEES

The fees recognised as an expense and paid to the auditors of the consolidated financial statements in 2013 amounted to €0.9 million (2012: €1.0 million) for the audit of the financial statements, €1.4 million (2012: €0.7 million) for other attestation services, €0.4 million (2012: €0.4 million) for tax consultancy services and €0.0 million (2012: €0.0 million) for other services.

[47] COMPLY-OR-EXPLAIN STATEMENT REGARDING THE GERMAN CORPORATE GOVERNANCE CODE (DCGK)

In December 2013, the Executive Board and Supervisory Board of KION GROUP AG submitted their comply-or-explain statement for 2013 relating to the recommendations of the German Corporate Governance Code government commission pursuant to section 161 AktG. The comply-or-explain statement has been made permanently available to shareholders on the website of KION GROUP AG at kiongroup.com/comply_statement.

[48] EVENTS AFTER THE REPORTING DATE

In the period between the reporting date and 10 March 2014 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 2013 or that it would be necessary to disclose.

[49] INFORMATION ON PREPARATION AND APPROVAL

The Executive Board of KION GROUP AG prepared the consolidated financial statements on 10 March 2014 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, 10 March 2014

The Executive Board

Gordon Riske

Bert-Jan Knoef

Theodor Maurer

Ching Pong Quek

Dr Thomas Toepfer

Auditors' opinion

We have audited the consolidated financial statements prepared by KION GROUP AG, Wiesbaden / Germany, – comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and the notes to the consolidated financial statements – and the group management report for the business year from 1 January to 31 December 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, as well as the regulations under German commercial law complementarily applicable under § 315a (1) German Commercial Code (HGB) are the responsibility of the parent company's Executive Board. 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 ("German Commercial Code") 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 the Executive Board, 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 KION GROUP AG, Wiesbaden / Germany, comply with IFRS, as adopted by the EU, as well as the regulations under German commercial law complementarily applicable under § 315a (1) German Commercial Code (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 / Germany, 10 March 2014

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Crampton	Signed: J. Löffler
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for consolidated financial reporting, the consolidated financial statements give a true and fair view of the financial performance and financial position of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Wiesbaden, 10 March 2014

The Executive Board

Gordon Riske　　Bert-Jan Knoef

Theodor Maurer　　Ching Pong Quek

Dr Thomas Toepfer

Additional information

Quarterly information

KION Group overview

>> TABLE 118

in € million	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Order intake	1,192.5	1,046.4	1,104.8	1,145.3
Revenue	1,177.8	1,082.3	1,149.3	1,085.2
EBIT	107.4	88.8	91.5	86.4
Adjusted EBIT	115.6	100.5	107.6	92.8
Adjusted EBIT margin	9.8 %	9.3 %	9.4 %	8.5 %
Adjusted EBITDA	194.2	175.9	183.5	167.9
Adjusted EBITDA margin	16.5 %	16.3 %	16.0 %	15.5 %
Free cash flow	134.9	52.2	20.2	−4.7
Net financial debt	979.3	1,056.6	1,701.6	1,824.4

Multi-year overview

KION Group multi-year overview *>> TABLE 119*

in € million	2013	2012*	2012	2011	2010	2009
Order intake	4,489.1	4,590.3	4,700.1	4,681.9	3,859.7	3,028.2
Revenue	4,494.6	4,559.8	4,726.7	4,368.4	3,534.5	3,084.3
Order book [1]	693.3	807.8	807.8	953.0	801.3	533.0
Results of operation						
EBITDA	708.8	914.4	915.4	569.2	380.2	183.0
Adjusted EBITDA [2]	721.5	700.5	747.3	665.3	462.2	310.8
Adjusted EBITDA margin [2]	16.1 %	15.4 %	15.8 %	15.2 %	13.1 %	10.1 %
EBIT	374.2	549.1	550.1	213.2	34.6	–181.9
Adjusted EBIT [2]	416.5	408.3	438.2	364.6	139.4	–29.1
Adjusted EBIT margin [2]	9.3 %	9.0 %	9.3 %	8.3 %	3.9 %	–0.9 %
Net income (loss) [3]	138.4	161.4	161.1	–92.9	–196.7	–366.2
Financial position [1]						
Total assets	6,026.4	6,213.2	6,213.2	6,066.3	5,758.9	5,814.9
Equity	1,610.0	660.7	660.3	–487.6	–399.9	–213.0
Net financial debt	979.3	1,790.1	1,790.1	2,631.3	2,626.0	2,464.2
Cash flow						
Free cash flow [4]	202.6	518.1	518.1	234.2	76.0	34.0
Capital expenditure [5]	125.8	155.1	155.1	133.0	123.5	108.2
Employees [6]	**22,273**	**21,215**	**21,215**	**21,862**	**19,968**	**19,953**

* Key figures for 2012 were adjusted due to the retrospective application of IAS 19R (2011); Order intake, Revenue, adjusted EBIT and adjusted EBITDA were aligned due to the Hydraulics Business
1 Values as at balance sheet date 31/12/
2 Adjusted for KION acquisition items and one-off items
3 Net income 2012 included a net gain from the Weichai transaction in the amount of €154.8 million
4 Free cash flow is defined as Cash flow from operating activities plus Cash flow used in investing activities
5 Capital expenditure including capitalised R&D costs, excluding leased and rental assets
6 Number of employees in full-time equivalents as at balance sheet date 31/12/

DISCLAIMER

Forward-looking statements

This annual report contains forward-looking statements that relate to the current plans, objectives, forecasts and estimates of the management of KION GROUP AG. These statements only take into account information that was available up and including the date that this annual report was prepared. The management of KION GROUP AG makes no guarantee that these forward-looking statements will prove to be right. The future development of the KION GROUP AG and its subsidiaries and the results that are actually achieved are subject to a variety of risks and uncertainties which could cause actual events or results to differ significantly from those reflected in the forward-looking statements. Many of these factors are beyond the control of KION GROUP AG and its subsidiaries and therefore cannot be precisely predicted. Such factors include, but are not limited to, changes in economic conditions and the competitive situation, changes in the law, interest rate or exchange rate fluctuations, legal disputes and investigations, and the availability of funds. These and other risks and uncertainties are set forth in the 2013 group management report. However, other factors could also have an adverse effect on our business performance and results. The KION GROUP AG neither intends to nor assumes any separate obligation to update forward-looking statements or to change these to reflect events or developments that occur after the publication of this annual report.

Rounding

Certain numbers in this annual report have been rounded up or down. There may therefore be discrepancies between the actual totals of the individual amounts in the tables and the totals shown as well as between the numbers in the tables and the numbers given in the corresponding analyses in the text of the annual report. All percentage changes and key figures were calculated using the underlying data in thousands of euros (€ thousand).

FINANCIAL CALENDAR

20 March 2014
Financial statements press conference
Publication of 2013 Annual Report

8 May 2014
Interim report for the period
ended 31 March 2014

19 May 2014
Annual General Meeting

6 August 2014
Interim report for the period
ended 30 June 2014

5 November 2014
Interim report for the nine months
ended 30 September 2014

Subject to change without notice

CONTACT

Contacts for the media

Michael Hauger
Head of Corporate Communications
Phone: +49 (0) 611.770-655
michael.hauger@kiongroup.com

Frank Brandmaier
Head of Corporate Media Relations
Phone: +49 (0) 611.770-752
frank.brandmaier@kiongroup.com

Contacts for investors

Frank W. Herzog
Head of Corporate Finance
Phone: +49 (0) 611.770-303
frank.herzog@kiongroup.com

Silke Glitza
Head of Investor Relations and M&A
Phone: +49 (0) 611.770-450
silke.glitza@kiongroup.com

Securities identification numbers
ISIN: DE000KGX8881
WKN: KGX888

KION GROUP AG
Abraham-Lincoln-Strasse 21
65189 Wiesbaden
Phone: +49 (0) 611.770-0
Fax: +49 (0) 611.770-269
info@kiongroup.com
www.kiongroup.com

This annual report is available in German and English at kiongroup.com under Investor Relations / Financial Reports. Only the content of the German version is authoritative.

Publisher

KION GROUP AG
Corporate Communications
Abraham-Lincoln-Strasse 21
65189 Wiesbaden | Germany

Phone: +49 (0) 611.770-0
Fax: +49 (0) 611.770-269
info@kiongroup.com
www.kiongroup.com